

# IRPP Study



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## Parental Benefits in Canada

### Which Way Forward?

**Jennifer Robson**

Although EI maternity and parental leave benefits appear to meet the needs of many families, there are significant policy gaps in the system that need to be addressed, especially for low-income families and parents in nonstandard employment.

Les prestations de congé de maternité et parental semblent répondre aux besoins de nombreuses familles, mais d'importantes lacunes du régime doivent être corrigées, notamment au profit des ménages à faible revenu et des parents occupant des emplois atypiques.

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# Summary

Canada's employment insurance (EI) system provides special benefits for parents who take a temporary leave from paid work to care for a newborn or newly adopted child. The system in place today was first launched 46 years ago, and while it has evolved incrementally in those 46 years, it is arguable that these modest changes have not kept pace with the needs of Canadian families or the Canadian labour market.

In the fall of 2016, the federal government launched a public consultation on changes to maternity and parental benefits that would extend the time limit for collecting benefits from 12 months to 18 months, by offering either 50 weeks of nonconsecutive benefits or continuous benefits at a lower rate. The government's summary of those consultations indicates there is strong public support for a longer leave.

In this IRPP Study, Jennifer Robson uses public microdata from the Employment Insurance Coverage Survey to compare the effectiveness of the federal parental leave and benefit system with that of the Quebec system. Her analysis takes into account other related policies, including regulated child care and income transfers to families with children. She gives particular attention to household income as a mediating factor, and looks at available evidence on how families with new children cope with added costs and balance paid work and caregiving. She argues that, although EI maternity and parental leave benefits appear to meet the needs of many families, there are significant gaps in the system, especially for low-income families and parents in nonstandard employment.

Robson raises compelling arguments for extending the time limit for collecting parental benefits, including the need for more flexibility for families and better coordination with provincial child care systems. In her view, however, the government's proposed changes will not work for low-income families without additional reforms, including the following:

- A more responsive and inclusive eligibility test so that more parents who work and already pay EI premiums are able to collect benefits
- Targeted help for low and modest-income families through the Family Supplement
- Changes aimed at better coordinating EI benefits with income-tested child benefits
- Improved incentives for employers who top up leave benefits for their employees, to increase the coverage of lower-wage workers

According to Robson, over the longer term, it is not clear that parental benefits ought to remain within the current EI system. Maternity benefits were created 46 years ago as a niche program grafted onto the much larger wage-insurance system. But today, benefits for parents are a large and growing part of the demands on the program. Some of the planned changes may make the current system work better in the short-term, but this should not be a substitute for a broader and more ambitious review of the current policy mix, with a view to better responding to the needs of today's working families.

## Résumé

Le régime canadien d'assurance-emploi (AE) prévoit des prestations spéciales pour les parents qui prennent un congé de travail temporaire pour s'occuper d'un nouveau-né ou d'un enfant récemment adopté. Depuis sa création, il y a 46 ans, ce régime a fait l'objet de changements mineurs sans toutefois évoluer au rythme des nouveaux besoins des familles et du marché du travail.

À l'automne 2016, le gouvernement fédéral a lancé des consultations publiques sur d'éventuelles modifications des prestations de congé de maternité et parental visant à prolonger de 12 à 18 mois la période de versement, selon l'une ou l'autre de ces options : prestations sur 50 semaines non consécutives ou prestations continues à moindre taux. Le résumé des consultations publié par Ottawa fait état d'un large soutien public à un congé plus long.

Dans cette étude de l'IRPP, Jennifer Robson s'appuie sur des microdonnées publiques de l'Enquête sur la couverture de l'assurance-emploi pour comparer l'efficacité du régime fédéral de congés parentaux et de prestations avec celle du régime québécois en tenant compte de politiques connexes comme les services de garde réglementés et les transferts de revenu aux familles avec enfants. Elle s'intéresse particulièrement au facteur médiateur du revenu des ménages et examine les données sur la capacité des familles avec de jeunes enfants d'en assumer les coûts supplémentaires, et d'équilibrer travail rémunéré et soins aux petits. Elle en conclut que les prestations de maternité et parentales semblent répondre aux besoins de nombreuses familles, mais note d'importantes lacunes, qui désavantagent surtout les familles à faible revenu et les parents occupant des emplois atypiques.

L'auteure plaide ainsi de façon convaincante pour le prolongement de la période de versement des prestations parentales, de même que la nécessité d'accorder plus de souplesse aux familles et d'assurer une meilleure coordination avec les programmes provinciaux de services de garde. Mais à ses yeux, les modifications proposées par Ottawa ne profiteront pas aux familles à faible revenu si on n'ajoute pas ces mesures supplémentaires :

- des conditions d'admissibilité mieux adaptées et plus inclusives permettant à un plus grand nombre de parents qui travaillent et paient déjà des primes d'AE de toucher des prestations ;
- un soutien ciblé aux familles à revenu faible et modeste par l'entremise du Supplément familial ;
- une meilleure coordination des prestations de congé parental et des prestations pour enfants fondées sur le revenu ;
- une amélioration des incitations offertes aux employeurs qui complètent les prestations de leurs employés afin d'élargir la couverture des travailleurs à faible salaire.

À plus long terme, note l'auteure, il restera à déterminer s'il faut maintenir les prestations parentales au sein du régime d'AE. Les prestations de maternité ont été créées il y a déjà plus de quatre décennies en tant que programme créneau rattaché au régime beaucoup plus vaste de l'assurance-salaire. Mais aujourd'hui, les prestations parentales constituent une part importante et sans cesse croissante du programme. Certaines des modifications envisagées pourraient améliorer à court terme le fonctionnement du régime, mais elles ne doivent pas empêcher un examen plus vaste et plus ambitieux du cadre politique qui viserait à mieux répondre aux besoins des familles ayant un revenu de travail.

# Parental Benefits in Canada: Which Way Forward?

Jennifer Robson

Canada's employment insurance (EI) system provides special benefits to parents who take temporary leave from paid work to care for a newborn or newly adopted child. The system in place today was first launched 46 years ago, grafted onto an existing national wage insurance program (then called unemployment insurance, UI) with complementary changes to provincial labour laws. Although the program has evolved incrementally over those 46 years, these modest changes arguably have not kept pace with the needs of Canadian families or of the Canadian labour market.

In the fall of 2016, the federal government launched a public consultation on proposed changes to maternity and parental benefits. "The Government of Canada is committed," the discussion paper notes, "to providing more flexible...EI maternity and parental benefits and unpaid job-protected leaves under the Canada Labour Code...to enable parents to select what best fits their family situation" (Employment and Social Development Canada 2016b). More specifically, the government has asked whether new parents would prefer:

- up to 18 months of job-protected leave and the ability to spread their current EI benefits over that longer time, although at a lower weekly rate; or
- to take the current maximum 50 weeks of EI benefits in blocks of time, before a child's 18th month.

According to the summary of the responses released by the government there was strong public support for a longer parental leave, but more muted interest in the option to interrupt the leave (Nielsen Canada 2017). Over the past 15 years, there has been a general trend toward expansion of special benefits for caregiving — whether for childbirth, adoption or the critical illness of a loved one — under both Liberal and Conservative governments. In the last federal election, all three main parties promised some expansion of parental leave benefits.<sup>1</sup> It seems there might now be a political consensus that families with very young children should have better support to allow a leave from paid work to engage in caregiving. But disagreements remain over the details. In implementation, those details of design can mean a world of difference in access, take-up and outcomes for Canadian families.

In this IRPP Study, I look at the case for extending the duration of EI maternity and parental benefits, and evaluate policy options to achieve more flexible and equitable income support and work leave policy for new parents. In particular, I examine the two options proposed by the federal government as well as two other proposals recommended by stakeholders: an overall increase in the benefit rate along with an extension to 18 months and a dedicated paternity benefit reserved only for new fathers and informed by Quebec's "daddy-days" (see Child Care Advocacy Association of Canada 2016).

## EI Parental Benefits in Context

### A federal system plus Quebec

EI benefits for new parents make up the largest share (over two-thirds) of special benefits under the EI program. Each year roughly 170,000 biological mothers, 190,000 biological parents

(including mothers) and nearly 1,700 adoptive parents claim EI special benefits when they take a temporary leave from the workforce to care for a new child.

EI benefits can be claimed by eligible birth or adoptive parents. Only birth mothers can claim up to 15 weeks of maternity benefits, and these expire at the end of 18 weeks following the birth. All parents, biological or adoptive, may claim up to 35 weeks of parental leave benefits; these expire 52 weeks after the birth or adoption. On average, families use 14.6 weeks out of 15 maternity benefit weeks and 30 out of 35 parental benefit weeks. Both maternity and parental benefits are calculated at a weekly rate, based on a replacement rate of just 55 percent on an individual parent's insured income, up to an annual ceiling (set at \$51,300 for 2017).

To qualify for benefits, new parents must have accumulated at least 600 hours of insured employment in the previous year. Employees in standard forms of employment — for example, those working full-time, full year on salary — likely have little difficulty meeting this threshold, which is equivalent to working full-time for exactly 16 weeks, based on the federal public service standard workweek of 37.5 hours. Younger workers (those under age 25) and female workers, however, are less likely to have average working hours that meet that eligibility test.<sup>2</sup> Furthermore, not all paid work is insurable for EI benefits. Although the “gig economy” might promise greater flexibility for employers and workers, freelancers, dependent contractors<sup>3</sup> and other self-employed workers may not be covered by social insurance programs geared to standard employment models.

Since 2011, self-employed parents who have planned ahead and opted into the program can receive benefits as long as they have contributed a minimum threshold in premiums. Thus far, take-up rates of maternity and parental leave benefits among self-employed workers remain very low: just 730 self-employed persons made a claim for special benefits in fiscal year 2014-15, amounting to 0.1 percent of all special benefit claims (Employment and Social Development Canada 2016a). Although most of those claims are likely to be made by new parents, the official program statistics on special benefits do not report on maternity and parental claims by self-employed workers. This suggests a striking undersubscription by self-employed parents relative to the government's projection when it introduced the policy change in 2011. The low take-up is also striking in light of evidence that mothers of young children are more likely to pursue self-employment so they can work more flexible and sometimes fewer hours relative to standard employment (Jeon and Ostrovsky 2016). The irony is that the very form of employment that mothers might choose to help them balance work and caregiving also reduces their access to maternity and parental benefits for subsequent children.

In addition to minimum participation rules, EI parental benefits also require that new parents demonstrate that their weekly earnings have fallen by at least 40 percent, meaning that parents must show a substantial decline in workforce participation before they can receive EI benefits. While on maternity benefits, a mother cannot maintain any workforce participation: each dollar earned (beyond any top-ups provided by the employer) is clawed back from benefits paid.

Under an ongoing pilot called Working While on Claim, parents on parental benefits can keep \$0.50 per dollar of EI for each dollar earned as long as their earnings do not exceed 90 percent of their weekly EI benefit amount. For example, a parent receiving \$300 in parental benefits per week who earned \$100 in a week would be able to keep \$50 of the first \$100 in EI, retain the \$100 in earnings and receive the balance of \$200 in the EI benefit for the week. This parent would end up with \$350 in net income between EI and earnings for the week. The same parent instead could ask for the so-called optional rule to be applied under the same pilot program. That “optional rule” lets claimants keep all of their benefits as long as weekly earnings do not exceed \$75, or 40 percent of the weekly benefit, whichever is greater. Using the same example, this same parent would then keep all of the \$100 in earned income and all of the EI benefits (since the earnings are just one-third of the weekly benefit), for a net total of \$400.

Two parents in a family cannot be on benefits at the same time, and benefits must be paid in a single consecutive period before they expire. In general, the EI system both assumes and enforces a complete — or, in the case of parental benefits, nearly complete — separation from the workforce to care for a new child.

For families with a very low income — below \$25,921 — EI benefits can be increased by the Family Supplement, the amount of which varies with the number and ages of children in the family. Because the maximum benefit payable under the Family Supplement is tied to the net income of eligible families, average benefits, not surprisingly, are very low: as of 2015, the average supplement paid to EI beneficiaries (including both regular and special benefit claims) was just \$41 per week, and was paid to only 4.5 percent of all new EI claims (Jeon and Ostrovsky 2016).

In Quebec, parents are instead covered by the Quebec Parental Insurance Program (QPIP), which is cost shared through premiums by employers, employees and mandatory participation by self-employed workers. New parents in Quebec may choose to take either a larger weekly benefit for fewer weeks or a lower weekly benefit for a longer period of time. The “basic plan” provides up to 55 weeks of benefits, while the “special plan” provides up to 43 weeks of benefits. Once an application is filed, a family cannot change the benefits plan it has chosen or substitute the features of each plan.

Like the federal system, the Quebec program reserves maternity benefits for birth mothers — either 15 or 18 weeks, depending on which benefit plan is selected. But, unique to the Quebec system, fathers receive a reserved number of benefit weeks (either 3 or 5 weeks) that cannot be transferred. Similar to the federal system, parents can share the transferable parental leave portion (either 25 or 32 weeks). In contrast to the federal system, however, Quebec allows two-parent families to collect benefits simultaneously (within the maximum benefits payable) and to suspend their benefits temporarily and return to work for a period of time, subject to the employer’s agreement. With an employer’s agreement, leave can be taken in blocks of time up to 70 weeks (just under 18 months) after the child’s birth or adoption (Travail, Emploi et Solidarité sociale, n.d.; Commission des normes, de l’équité, de la santé et de la sécurité du travail, n.d.). Even so, job-protected leave cannot exceed 52 weeks in that 70-week window and, except in extreme circumstances such as a child’s illness, all benefits expire at the end of 52 weeks from the birth or adoption.

Although the federal system demands 600 hours of insured employment, Quebec's program instead uses a low minimum-earnings test of eligibility, set at just \$2,000 in insured employment. Working at the province's minimum wage, a new parent would qualify for parental benefits after approximately 186 hours of work, more than two-thirds less than in the rest of Canada.

Quebec's program offers a higher ceiling on insured income (\$72,500 in 2017, compared with \$51,300 in the rest of Canada) and higher income-replacement rates (ranging between 55 percent and 75 percent, depending on the specific benefit plan). Higher maximum insurable earnings thresholds tend to benefit higher-income earners, who would otherwise see a greater portion of their normal earnings uninsured. Based on public data, higher replacement rates and insurable thresholds may not, in practice, lead to dramatically higher average benefits paid in Quebec compared with the rest of the country. As table 1 illustrates, average weekly benefits paid to new parents outside Quebec are \$427 (maternity) or \$436 (parental), while average weekly benefits paid to new parents in Quebec are between \$473 and \$509 for mothers and between \$608 and \$636 for fathers. Although the maximum benefits payable in Quebec, under either plan, are significantly higher than in the rest of Canada (up to \$43,000, compared with \$27,000), actual benefits paid in the province are much closer to the national average. In fact, at the average weekly benefit, parents who opt for the "special plan" in Quebec can end up with lower income than under the federal plan. This is a rough estimate, however, and does not adjust for average duration of benefits.

Quebec also offers an income-tested Family Supplement whose design matches that of the federal program. According to the most recent data, the average monthly supplement, at \$37.13, is slightly lower than that of the federal program (Quebec 2016).

Many attributes of the Quebec system have proven attractive to some observers:

- The choice afforded to families to pick the benefit rate and duration appears more responsive to family circumstances and preferences. In 2016, 77 percent of Quebec families chose the "basic plan."
- Families in Quebec appear to face fewer obstacles in qualifying for benefits because the system uses a low minimum-earnings threshold that, even at minimum wage, can be met in less than half the time parents outside the province must work to meet federal eligibility rules.
- Mandatory coverage of self-employed workers also appears to have made a difference to benefit take-up rates among self-employed parents in the province. Approximately 6 percent of all claims made for provincial benefits are from self-employed workers. Compared with workers in standard employment, families in self-employment are much more likely to choose the shorter "special plan": 43 percent of families with any self-employment opted for the "special plan," compared with 22 percent of families in standard employment.
- Quebec's reserved leave for fathers is sometimes cited favourably as a way to increase the share of fathers who take leave and claim benefits: 38 percent of benefit claims are made by fathers, compared with 16 percent in the rest of Canada.

To this list, I would also add the flexibility in the Quebec system that allows parents to be on benefits at the same time and to choose, with an employer's agreement, to take the leave and benefits in nonconsecutive blocks of time. The flexibility and responsiveness of



**Table 1. Characteristics of maternity/parental leave programs, Quebec and the rest of Canada**

	Canada, outside Quebec		QPIP basic plan	QPIP special plan
Duration of job-protected maternity or parental leave	Generally up to 52 weeks		52 weeks within 70 weeks of birth or adoption	52 weeks within 70 weeks of birth or adoption
Nonconsecutive leave allowed?	No		With employer agreement and only up to 70 weeks from birth or adoption	With employer agreement and only up to 70 weeks from birth or adoption
Eligibility rules	At least 600 hours of insured employment in previous year or 1 year of registration, premiums and minimum earnings if self-employed; and at least 40% reduction in weekly earnings; supplement payable if family net income is below \$25,921		At least \$2,000 of insurable earnings in previous year; and at least 40% reduction in weekly earnings; supplement payable if family net income is below \$25,921.	At least \$2,000 of insurable earnings in previous year; and at least 40% reduction in weekly earnings; supplement payable if family net income is below \$25,921.
Maximum insurable earnings (2016)	\$50,800, adjusted to \$51,300 for 2017		\$71,500, adjusted to \$72,500 for 2017	\$71,500 adjusted to \$72,500 for 2017
Maternity benefits (nontransferable)	15 weeks at 55% of insured earnings within 17 weeks of birth		18 weeks at 70% of insured earnings, normally within 18 weeks of birth	15 weeks at 75% of insured earnings, normally within 18 weeks of birth
Maximum weekly maternal benefit (pretax, 2016)	\$537		\$962	\$1,031
Average weekly maternal benefits paid (pretax, 2016)	\$427		\$509 (across all weeks paid to mothers)	\$473 (across all weeks paid to mothers)
Parental benefits (transferable)	35 weeks at 55% of insured earnings within 52 weeks of birth or adoption		7 weeks at 70% + 25 weeks at 55% of insured earnings, normally within 52 weeks of birth or adoption	25 weeks at 75% of insured earnings, normally within 52 weeks of birth or adoption
Maximum weekly parental benefit (pretax, 2016)	\$537		\$962 for 7 weeks \$687 for 25 weeks	\$1,031
Average weekly parental benefit paid (pretax, 2016)	\$436		Not published	Not published
Paternity benefits (nontransferable)	–		5 weeks at 70% of insured earnings, normally within 52 weeks of birth or adoption	3 weeks at 75% of insured earnings, normally within 52 weeks of birth or adoption
Maximum weekly paternal benefit	–		\$962	\$1,031
Average weekly paternal benefit paid (pretax)	–		\$636	\$608
Maximum benefit (pretax, 2016) payable to mothers who work until delivery and take maternity plus all shared leave	\$26,865		\$42,968	\$41,250
Average benefit (pretax, 2016) payable to mothers who work until delivery and take all maternity plus shared leave, based on average weekly benefit rates	\$21,665		\$25,450	\$18,920
Maximum benefit (pretax, 2016) payable to fathers who take all leave available	\$18,805		\$28,719	\$28,875
Average benefit (pretax, 2016) payable to fathers who take all leave available	\$15,260		\$19,080	\$17,024
Two parents can be on benefits at the same time?	No		Yes	Yes

Source: Author's calculations using information from Employment and Social Development Canada and Quebec, Conseil de gestion de l'assurance parentale. QPIP = Quebec parental insurance plan

the system is not only about income replacement rates and duration of benefits, but also about greater choice for families in how they distribute work and caregiving responsibilities. Later in this study, I consider options to amend the federal system to provide more of the same flexibility. Because many observers have lauded Quebec's system of reserved leave for fathers, I also ask whether this should also be part of the federal system.

### EI maternity and parental benefits: A substantial and growing share of total EI program costs

In the federal EI system, benefits for new parents make up the vast majority of all special benefits and a substantial and growing share of all EI benefits (see table 2). Between 2010 and 2015,

	2010-11	2011-12	2012-13	2013-14	2014-15	5-year average	Change 2010-15 (%)
Special claims (N)	499,270	508,500	510,040	516,820	526,100	512,146	5.4
Of those, self-employed	280	490	650	650	730	560	160.7
Maternity benefits	168,620	167,540	170,680	169,640	169,080	169,112	0.3
Parental benefits, biological	188,250	187,090	190,610	189,480	189,740	189,034	0.8
Parental benefits, adoptive	1,540	1,840	1,860	1,640	1,580	1,692	2.6
Maternity + parental benefits (N)	358,410	356,470	363,150	360,760	360,400	359,838	0.6
Special benefits claims, new parents (%)	71.8	70.1	71.2	69.8	68.5	70.3	- 3.3
Regular claims (N)	1,396,860	1,422,270	1,356,810	1,325,810	1,342,610	1,368,872	- 3.9
Total EI claims (N)	1,846,790	1,883,620	1,819,940	1,793,420	1,811,360	1,831,026	- 1.9
Maternity + parental benefits as a share of total EI claims (%)	19.4	18.9	20.0	20.1	19.9	19.7	0.5
Special benefits (\$ millions)	4,178	4,284	4,485	4,749	4,946	4,528	18.4
Maternity benefits (\$ millions)	921	934	982	1,030	1,064	986	15.5
Parental benefits, biological (\$ millions)	2,160	2,203	2,276	2,401	2,502	2,308	15.8
Parental benefits, adoptive (\$ millions)	19	19	23	21	18	20	- 5.3
Special benefits to new parents (\$ millions)	3,101	3,156	3,281	3,451	3,584	3,315	15.6
Proportion special benefits paid to new parents (%)	74.2	73.7	73.2	72.7	72.5	73.2	- 1.7
Regular benefits (\$ millions)	12,805	11,122	10,451	10,368	10,602	11,069	- 17.2
EI premiums collected (\$ millions)	17,501	18,556	20,395	21,766	22,564	20,156	28.9
EI expenditures (\$ millions)	19,850	17,647	17,099	17,300	18,052	17,990	-9.1
Proportion of total EI expenditures in benefits to new parents (%)	15.6	17.9	19.2	19.9	19.9	18.5	4.3

Sources: Employment and Social Development (2016a); Finance Canada (2016).

federal spending on EI maternity and parental benefits rose 15.6 percent, while spending on regular EI benefits (for unemployed workers) *fell* just over 17 percent. EI benefits for new parents make up nearly 20 cents per dollar of EI program spending, and applications for maternity and parental benefits account for one in every five EI claims. In short, what began as a niche add-on to the then unemployment insurance program in 1971 now makes up an important and growing part of the EI system. Over the longer term, policy-makers will need consider whether or not maternity and parental benefits should remain part of the EI system.

On the one hand, using EI to pay benefits to new parents does offer some advantages as a policy instrument. The program's contributory insurance offers a way to raise revenues, pool risk and distribute benefits with some degree of progressiveness. High-income workers proportionally contribute a larger share of the premiums in the common pool, and a lower share of their total income is replaced, based on the ceiling on insurable earnings. EI also offers a ready-made system for verifying claims, paying out benefits and enforcing program rules. Some might see EI's requirement of workforce participation as a strength, ensuring that benefits retain a strong participation incentive.

On the other hand, there are important questions about whether the participation requirements are keeping pace with labour market changes affecting families. Since EI is a wage insurance program, workers in nonstandard and precarious employment, who arguably have the greatest need for insurance, may also have the hardest time qualifying for and claiming insurance. Incremental changes have not proved successful in attracting voluntary participation by self-employed workers. The program's rather rigid rules also constrain the ability of new parents to make choices about how to share work and family roles.

Many of these limitations are not unique to benefits for new parents; rather, in my view, they are consequences of attaching a program for parents to a wage insurance program that was never meant to cover all workers. To meet their needs following the birth or adoption of a child, families cannot and do not rely only on EI (or QPIP) benefits. Accordingly, any evaluation of the current EI system should take into account the broader array of instruments that affect the financial security of new families.

### **New parents need and use more than just EI**

EI benefits are part of the broader context in which Canadians have to make choices about working and caregiving. New parents have as many as six major elements of the policy puzzle<sup>4</sup> to consider in figuring out how to cover their expenses and provide care to a newborn or adopted child.

#### ***Job-protected leave under provincial and federal labour laws***

Provincial and federal law guarantees eligible workers the right to unpaid maternity and parental leave from their regular employment, with a right to return to the same or comparable employment at the end of the leave period. In all provinces except Quebec, the leave must be taken as a single consecutive block of time; in Quebec parents are allowed to break up their leave with the consent of their employer, and without extending the total leave beyond the expiry date. Only birth mothers are eligible for the maternity portion of the leave (generally

17 or 18 weeks), but both mothers and fathers are entitled to parental leave (between 35 and 52 weeks, depending on the province); Quebec also includes a 5-week paternity leave, available only to birth fathers. For birth mothers in Quebec, parental leave is in addition to maternity leave, for a total of 70 weeks. Outside Quebec, birth mothers may not combine maternity and parental leave for a period longer than 52 weeks. Job-protected leave cannot be transferred between parents, as it is an individual entitlement depending on prior employment.

***Employer top-ups for workers who receive EI benefits***

Some employers voluntarily provide wage insurance for their employees during maternity and parental leave. Generally, this is paid as top-up to EI (or QPIP) benefits, and workers are required first to qualify for and receive EI benefits before the supplemental payments begin. In the federal government, members of the public service are entitled to a top-up that bridges their income to 93 percent of their latest gross pay for the full duration of their job-protected leave. Other employers vary in the percentage of income replaced and the duration of top-up benefits. There is no statutory requirement for employers to provide this benefit, and it may be more common in workplaces governed by a collective agreement.

Outside Quebec, employers that provide a top-up for EI maternity and parental benefits can actually qualify for a reduction in EI premiums. Currently, employers are required to contribute a matching amount to that of employees on all insurable earnings, up to the annual maximum. Employers that establish a wage insurance plan that meets certain conditions set by the federal government can apply for a reduction of their EI premiums payable as long as they can demonstrate that the dollars saved through the premium reduction have been used for the benefit of employees.

***Other private financial resources***

Notwithstanding the above measures, most households still rely on private resources — ongoing earnings, savings or help from family and friends — to make ends meet in the first year after the birth or adoption of a new child. In fact, these private revenue sources are absolutely essential to maintaining adequate resources for a new family. Differences in the take-up of key public measures — job-protected leave and EI-funded benefits — are often related to differences in these private sources of income and savings.

The arrival of a new child is somewhat different than other life events requiring income insurance, such as sudden illness or injury. Generally, there is a period during which the child's arrival is anticipated, allowing families (both birth and adoptive) to make plans. Some families will have surplus income to save and/or financial assets or gifts from family to help them cope with the costs associated with a child. In my view, however, there is no reason to include a test of household assets in federal or provincial programs aimed at helping families with young children. Asset tests are administratively burdensome and likely do little to enhance the efficiency of programs already targeted by income.

***Federal and provincial child benefits***

Following the birth or adoption of a child, parents may become eligible for federal and provincial child benefits. These income-tested cash transfers can increase a family's after-tax income substantially, and have been effective in reducing poverty and promoting the welfare of parents and children

(see Brownell et al. 2016; Jones, Stabile and Milligan 2015). Child benefits are based on annual household income (and the number of children), according to annual income tax returns, and are assessed in July each year.<sup>5</sup> Since July 2016, families have been eligible for the Canada Child Benefit — as an illustrative example, a family with a net income of \$80,000 and one newborn child receives \$145 per month (Canada Revenue Agency n.d.). Families with a net income low enough to qualify for the Family Supplement in the federal or Quebec benefits systems receive \$800 per month. Federal and coordinated provincial child benefits can be claimed soon after a child's birth, and are paid monthly. They rely on a program system separate from EI benefits, administered largely through the income tax system, and are not coordinated with federal or Quebec maternity or parental leave benefits.

On the assumption that new parents will see a significant decline in their earned income in the first year following a child's birth, the current child benefit system is not well suited to help families manage a temporary drop in income. Recall that the benefit in the first year usually is based on net adjusted family income in the year before a leave from work to care for a new child. In the second year, the drop in income may result in an increase in income-tested child benefits, but these may arrive only after both parents have returned the workforce. In short, although child benefits are designed to ensure integrity in income-testing and simplicity in administration through the tax system, they are unable to respond quickly to a drop in income, even one due to a temporary parental leave from work.

#### ***Means-tested social assistance***

For a small but non-negligible share of new parents — approximately 3 to 4 percent of new mothers — provincial social assistance plays an important role in their household's well-being. In families without access to EI benefits and where private resources have been exhausted, social assistance provides an income benefit, a housing benefit, extended health benefits and subsidized child care services. Although welfare reforms have reduced the value of income benefits and increased workforce participation requirements for beneficiaries, most provincial systems exempt primary caregivers of infants and preschoolers from these active measures.

For some parents with very low earnings, provincial social assistance may actually provide better income security than maternity and parental leave benefits. Under current replacement rates and rules, a new mother who meets the 600 hours eligibility test would still need to earn nearly \$17,000 in insurable employment income to receive EI benefits that are as good as or better than provincial social assistance benefits payable to a single parent with one child (see table 3).

#### ***Child care services***

Access to child care services influences when and how parents return to work after taking a leave. The international literature is clear: access to child care increases maternal employment (Fortin, Godbout and St-Cerny 2012; Herbst 2013), and mediates the effects of parental leave policies. One argument raised against an earlier extension of leave for new parents — new mothers, in particular — was that it would discourage paid work. As I describe later, however, although work incentives featured prominently in the original debate to create Canada's maternity leave system, parents who have access to job protection, paid benefits and child care are more likely to return to paid work after a leave (Ang 2015; Gregg and Waldfogel 2005; Pronzato 2007).

	<b>Basic social assistance benefit for 1-parent, 1-child household (\$)</b>	<b>EI-insured earnings needed to match provincial social assistance (\$)</b>
Newfoundland and Labrador	14,994	21,741
Prince Edward Island	12,868	18,659
Nova Scotia	9,900	14,355
New Brunswick	11,790	17,096
Quebec	9,760	14,152
Ontario	11,267	16,337
Manitoba	9,936	14,407
Saskatchewan	13,331	19,330
Alberta	11,196	16,234
British Columbia	11,427	16,569
Average	11,647	16,888

Sources: Author's calculations; Tweddle, Battle and Torjman (2015).

Other studies have noted that Canada's parental leave systems are generally not well synchronized with child care policies (see, for example, Robson 2010; and Turgeon 2011). When paid benefits and job-protected leave are exhausted, parents with a child age 12 months — or younger in Quebec if parents have chosen that province's "special plan" — will be looking for child care in a

system where the supply for that specific age group is most constrained. For example, just 3 percent of all regulated spaces in Ontario and 4.5 percent in Quebec are earmarked for infants under the age of 18 months. Increasing the supply of regulated spaces for infants is no easy task for policy-makers or child care providers. Even if parents paid the full market price, the operating costs of an infant space may require some form of subsidization (see the illustrative example in box 1). Could enabling parents to take longer paid and job-protected leaves help reduce the demand-side pressure on child care systems?

For families who use EI maternity and parental benefits, choices and decisions will be influenced by this much broader set of factors: their right to return to work, their financial resources, alternatives to EI benefits and

<i>Let's assume a daycare facility in Ontario has physical room to expand its program. Which is more sustainable at current market rates, 10 infant spaces or 10 toddler spaces?</i>		
	<b>10 infants (0-18 months)</b>	<b>10 toddlers (18-30 months)</b>
Staff required under provincial legislation	3	2
Monthly labour costs, based on provincial average of \$17.47/hour + 15% for payroll taxes and benefits, if the centre is open weekdays 8 a.m. - 6 p.m.	\$12,060	\$8,040
Parent fees, average market rates	\$11,520	\$9,250
Annual difference between labour costs and parent fees	– \$6,480	\$14,520
<i>After one year, 10 new infant spaces would run a deficit of \$6,480 on labour costs alone.</i>		
Sources: Author's calculations; Ontario, <i>Child Care and Early Years Act</i> , 2014; Association of Early Childhood Educators of Ontario; Child Care Resource and Research Unit.		

their access to child care. Reviews of EI maternity and parental benefits should take into account this broader context and policy mix when considering changes. A detailed discussion of the interactions of each of these contextual pieces is outside the scope of this study. However, I draw on this broader context as I ask how the current EI system is performing, consider policy alternatives and, finally, offer recommendations for short-term changes and ideas for longer-term reforms.

## What Goals Should Parental Leave and Benefits Policies Pursue?

One recurrent debate over EI maternity and parental benefits is whether they even belong in the EI system at all. Pal (1985) argued that a contributory wage insurance system designed for quick returns to paid work is at odds with the goal of providing paid leave to care for young children. Many authors have also noted that, although Canada's EI system was never designed to cover all workers, women have been particularly disadvantaged by program rules (see Evans and Pupo 1993; Meehan 2004; Phipps 2006; Porter 2003; Townson and Hayes 2007). Mintz (2010) argues that maternity and parental benefits are outside the "core" functions of the EI system and, with other special benefits and active measures, should be funded out of general tax revenues as social programs. In contrast, Prince (2009) argues that special benefits, including maternity and parental benefits, are well suited to a social insurance system that aims to share risk among workers, employers and governments precisely because work-family stress is such a significant source of risk for workers. Finally, Phipps (2006) and Turgeon (2011) each consider the feasibility of removing maternity and parental benefits from EI; on balance, they recommend keeping these benefits in the larger system, with some modifications to broaden eligibility, permit flexibility and improve the adequacy of benefits. Separately, a 2007 federal task force (Canada 2007) recommended the extension of leave benefits to 18 months and, alongside some more recent authors, suggested that a new dedicated paternity benefit be created to promote leave-taking and caregiving by fathers (Ray, Gornick and Schmidt 2009; Seth 2016).

In short, there is no clear consensus on how best to design and deliver family leave policies with income support. This lack of consensus is hardly surprising given that different observers and stakeholders expect different things out of a system of parental benefits. My review of the literature finds that authors variously call for leave policy based on, broadly, three different kinds of arguments or policy goals:

*To protect or encourage workforce participation and insure wages for women of child-bearing age.* This goal prioritizes female employment over other objectives, and is principally concerned with possible disincentives to return to work. Policy designed with this goal in mind will tie access to benefits to previous earnings and participation. If policy-makers worry that women might leave the workforce if paid leave is too generous and accessible, they may restrict eligibility or the duration of the paid leave. Employers also may be concerned about temporarily replacing employees on paid leave. Before the paid leave and associated labour code protections came into effect, maternity leave too often meant a long-term or even permanent transition out of paid work for women.

*To improve the well-being of young children in families by reducing work-life stress and financial strain on parents.* While the first goal prioritizes female labour force attachment, this goal prioritizes

the role of parents as caregivers. Policy designed with this goal in mind will tend to emphasize temporary separations from the paid workforce to let parents attend to the needs of their children. In some instances, this goal is also strongly linked to early childhood development or a child-investment model that suggests that the quality and stability of caregiving during early childhood has long-term effects on life chances. Policy-makers who prioritize this goal will look for a policy mix that allows parents to work and care for their children — whether concurrently or successively — and that includes a range of choices regarding the duration, generosity and accessibility of benefits and leave.

*To promote gender equity in both paid employment and unpaid caregiving.* The goal of promoting the well-being of families with young children does not, on its own, require that one gender of parent provide the caregiving. A transferable parental leave allows families to allocate paid work and time away from work according to their own needs. But if, in practice, women take a much larger share of the responsibility for unpaid caregiving, policy-makers may want to take steps to promote unpaid caregiving by male partners — for example, by including entitlements to leave that are reserved for fathers alone. The underlying assumption is that, as more men take more caregiving leave, workplaces and families will both adapt, leading to more gender equality and lower work-family stress.

The three goals are not mutually exclusive but there are tensions and trade-offs: one focuses on mothers as paid workers, another is child-focused and a third is actually aimed squarely at fathers. Although policy motivated by the first goal aims to keep women connected to the paid workforce, policy focused on improving child outcomes works to help parents take leave from paid work. Policy designed to encourage more men to take leave also might, depending on the design, serve to reinforce mothers' participation in paid work. Depending again on the design, financial strain and work-family conflict might not be resolved by policy measures that target only mothers or only fathers.

These three broad goals offer a useful lens through which to consider changes to the parental leave system proposed by the federal government and stakeholders. I suggest that, in addition, policy options also need to be evaluated based on the following criteria:

- *flexibility* — providing choice to families to make decisions in their own best interests;
- *equity* — recognizing the diversity of Canadian families;
- *efficiency* — targeting resources so that families in greater need receive more support; and
- *effectiveness* — ensuring that programs are accessible and adequate so that parents make use of them as hoped.

Whatever the policy goals today, the starting points of the program architecture also matter. New programs are created with certain goals in mind that shape program design and implementation. In turn, path-dependency reminds us that program design and implementation precondition future choices on policy changes. Canada's current system of parental leave is the product of several incremental policy changes over the past 46 years, and the current debate on longer and more flexible benefits is very much shaped by the initial choice to attach these benefits to the national wage insurance system.



## Path-dependency

Current choices of whether and how to amend maternity and parental benefits within EI — and even of whether and how to take these benefits out of EI — are shaped by the decision in 1971 to introduce a maternity benefit as part of a package of reforms (including the first sickness benefit) to unemployment insurance. Other reports on family leave benefits have noted that maternity benefits were added to unemployment insurance based on a 1970 recommendation from the Royal Commission on the Status of Women.<sup>6</sup> There was, however, important context surrounding that recommendation and policy decision.

By the late 1960s, it was becoming apparent to federal officials that some women were already using the UI system to gain some income insurance during their pregnancy and after childbirth (Porter 2003). At the same time, pregnant women were often fired by their employers and replaced by other workers. But these same women could not, legally, claim benefits because they were officially categorized as “unavailable for work and therefore not eligible for payment of benefits for six weeks before and six weeks following her confinement” (Royal Commission on the Status of Women, chaired by Florence Birch, 1970, 85). In other words, women who were using the UI system were bending the rules to get access to benefits they were not technically entitled to receive as insurance on wages they were almost certain to lose. Mandatory job-protected leave was in place only in British Columbia and New Brunswick, and for women’s groups at the time, amending labour codes to protect the right to work during pregnancy and return to work after giving birth was a greater priority than creating new income benefits (Porter 2003). Adding maternity benefits to UI both normalized what some women were already doing and highlighted the need for changes to provincial labour laws to provide job-protected leave.

But it seems clear that advocates recognized that the UI system was an imperfect fit for maternity leave benefits from the start. As the Royal Commission on the Status of Women wrote, “we realize that the principles on which the [UI] plan is based would have to be modified” (1970, 87). For example, the prescriptive time limits on eligibility for when maternity benefits could begin and end<sup>7</sup> were a compromise to fit within the UI system’s requirement that recipients be available for work. The commission likewise recognized that many new mothers would not be eligible to receive the new benefit: “It may be argued that, in removing one form of discrimination, we have introduced another,” the commissioners wrote. “Unfortunately we have no solution to propose for non-working women” (88). Finally, the commissioners also explicitly presumed that the new benefits would be aimed at “working wives”: new mothers whose income may be important to their household, but who could depend on a partner to continue as the primary breadwinner during their leave. Many of those very early assumptions and policy choices — the need to prescribe the timing of leave to fit a program directive, the conscious exclusion of many new mothers and the assumption of a spouse who will continue to earn income — have endured despite several rounds of policy changes over the past 46 years.

Still, in many respects, the current system is working reasonably well. Since January 2001, parental leave has been extended to 35 weeks from 10 weeks and the eligibility test lowered to 600 hours from 700 hours. At the same time, federal and provincial labour codes have been amended to provide new parents with job-protected leave of up one year. Furthermore, this leave has

become the new normal in relationships between workers and their employers. Compared with 2000, before the last major overhaul of maternity and parental benefits,

- a larger share of new mothers is benefiting from income insurance benefits;
- a larger share of fathers is using income insurance benefits available to them;
- more new mothers report getting an employer top-up to their income insurance during maternity and parental leave; and
- more new mothers report that, in the first year of their child's life, their household income meets all of their regular expenses and needs.

## How Is the Current System Working?

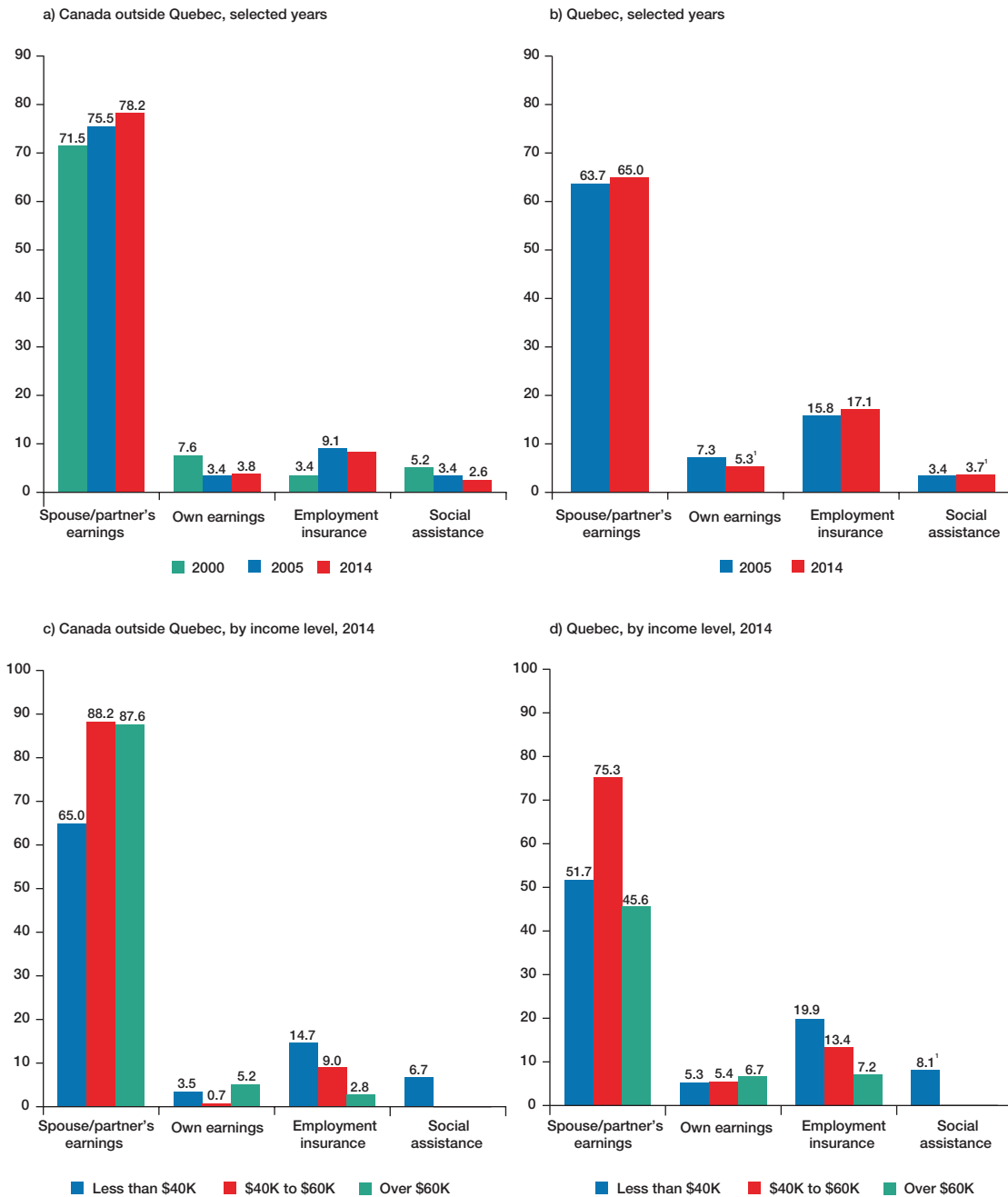
In this section, I take a more detailed look at the performance of both the QPIP system in Quebec and EI maternity and parental benefits in the rest of Canada. The analysis is based on data from Statistics Canada's Employment Insurance Coverage Survey (EICS) for 2000 (the year prior to the extension of parental benefits), 2005 (the most recent year prior to the introduction of the QPIP) and 2014 (the most recent year available at the time of writing). The results are limited to respondents who were identified as mothers with a child younger than 12 months old at the time of the survey. I give particular attention to household income and differences in coping with financial pressures. Income level is nominal self-reported family income from all sources, before taxes. Due to the layout of the public use files, this nominal value cannot be adjusted to constant dollars across periods of time.

### Family benefits and private resources

Although central to policy debates, EI benefits are not actually the main source of income for new parents. When asked about the primary income source for their household following the birth or adoption of a child, mothers are most likely to cite the earnings of a spouse or partner (see figure 1). In fact, mothers are more likely today to cite spousal earnings as the main household income source than they were in 2000, before EI benefits were expanded. In Quebec, spousal earnings are still far and away the primary income source for new parents, but somewhat less so than in the rest of Canada.

A family's total income (based on gross annual income from all sources) before the birth or adoption of their new child also determines the resources it relies on after the arrival of a new child. Families with incomes under \$40,000 are less likely to say that a partner's earnings are the primary income for the household and more likely to name EI benefits as their main source of income. Nearly 7 percent of new mothers cited social assistance as their primary source of income. In some cases, social assistance actually may leave a new mother better off than EI benefits, for three reasons. First, basic income benefits from social assistance may be larger than EI benefits on an annual basis if insurable earnings are lower than \$17,000, based on an average across provinces (see table 3). Second, compared with EI rules for working while on claim, social assistance generally offers more flexibility for mothers who want to work, even occasionally, after the birth of a child.<sup>8</sup> Finally, social assistance benefits offer more flexibility than prescriptive provincial rules on leave and the even more prescriptive rules on maternity and parental benefits: entitlements to job-protected leave and EI benefits expire in the first year of parenting, but an application for social assistance can be made at any time. It is critical to point out, however,

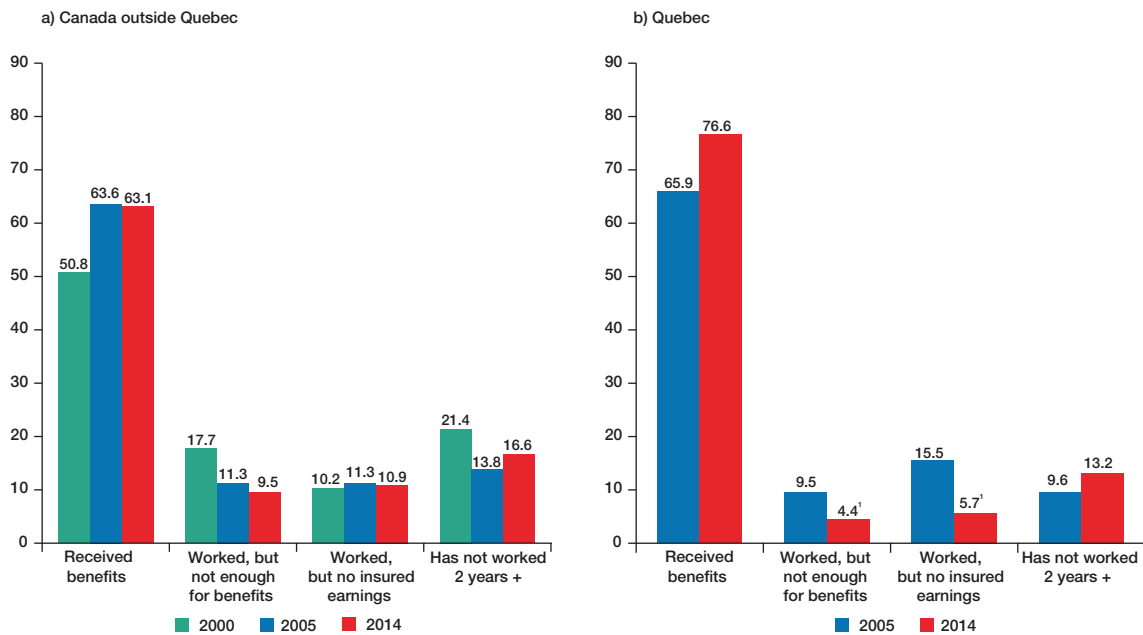
Figure 1. Main sources of income for households with infants, Quebec and rest of Canada (% of total)



Source: Statistics Canada, Employment Insurance Coverage Survey, 2000, 2005 and 2014.  
<sup>1</sup> The estimates indicated should be interpreted with some caution.

that social assistance rules are intrusive, often punitive and stigmatizing. The broader debate on EI reform has often considered the interaction with provincial social assistance (as EI eligibility tightens or benefits are exhausted), but there has been almost no discussion of the potential interaction between provincial social assistance and federal maternity and parental benefits.

Figure 2. EI maternity/parental benefit status of new mothers, Quebec and rest of Canada, selected years (% of total)



Source: Statistics Canada, Employment Insurance Coverage Survey, 2000, 2005 and 2014.  
<sup>1</sup> The estimates indicated should be interpreted with some caution.

### Access to EI benefits

As figure 2 shows, the percentage of new mothers who report receiving maternity and/or parental benefits increased in Canada, outside Quebec, between 2000 and 2005, but remained largely unchanged at 63 percent in 2014. Because there were few significant policy changes during that time, it seems reasonable to suggest that most of this increase in benefit use by new mothers is due to changes in the labour force participation of Canadian women. These underlying labour market factors would also be consistent with the declining share of new mothers who had not worked long enough prior to giving birth or adoption to be able to claim EI benefits.

Self-employment does not, on its own, appear to explain the gaps in coverage among working mothers. Recall that, since 2011, self-employed persons have been able to opt into the EI system for maternity and parental benefits (participation is mandatory under the QPIP). Eleven percent of working-age women are self-employed in Canada,<sup>9</sup> yet just over 20 percent of new mothers in 2014 had worked but not qualified for EI benefits, roughly equally split between those working without EI coverage and those working too few hours to meet the 600-hour test to qualify for benefits.

Quebec, on the other hand, made significant policy changes to increase access to benefits for new mothers by moving from a threshold of insurable hours to a very modest minimum-earnings threshold of just \$2,000 in insured earnings in the previous year. It is worth noting that even the Working Income Tax Benefit has a higher minimum-earnings threshold (\$3,000). Compared with the year prior to the launch of the QPIP, Quebec has seen a substantial increase in the share of new mothers receiving benefits, from 66 percent in 2005 to 77 percent in 2014.

Likewise the percentage of new mothers who worked, but not enough to qualify for benefits, has been reduced substantially.

In short, deliberate policy change to broaden access to benefits in Quebec appears to be having a clear and fast impact on the proportion of new mothers receiving benefits. Outside the province, labour market changes might have passively improved access to benefits for new mothers, but far less so than Quebec's active policy choices. But both inside and outside Quebec, there remain many new mothers (between 10 and 20 percent) who work before giving birth, but either not enough or not in the right kind of work to be able to access wage insurance. In addition, an important share of new mothers is outside the labour force altogether, and their number appears to have grown in recent years.

### **Not all new mothers have equitable access to EI**

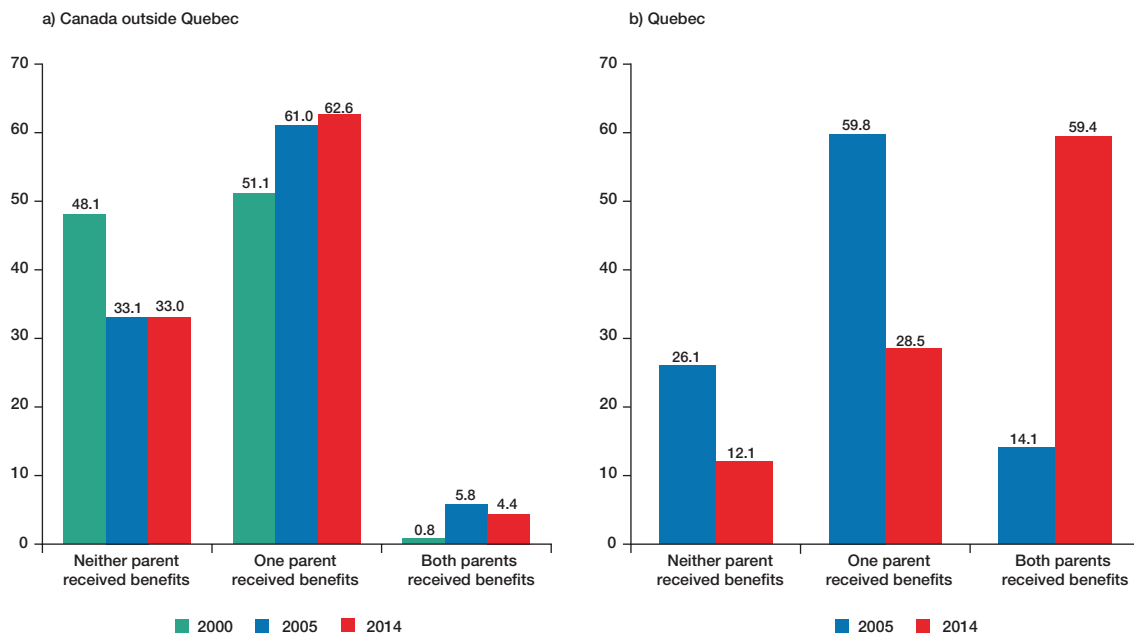
Below the surface of these general (and largely positive) trends on access, there may be important inequalities among new mothers. Are some more likely than others to get access to benefits? Other studies (for example, Evans 2007) have found that a mother's age and socio-economic status matter when it comes to accessing maternity benefits.

In table A1 of the appendix, I report regression results on the differences in the odds of a new mother reporting receipt of benefits depending on maternal age, education, immigration status, household income and other characteristics. Consistent with previous studies, older mothers in Canada are more likely to get maternity and parental benefits. However, the survey data set differentiates only between mothers ages 15 to 24 and 25 to 44, and many of the youngest mothers may have had little or no prior work experience. As well, in both Quebec and the rest of Canada, new mothers with more education are also more likely to receive benefits. This might reflect stronger labour market attachment and returns to education, but even in Quebec, where the QPIP rules should actually work in favour of women with weaker labour force attachment, there remains a significant education gap in access to benefits.

Household income also plays a clear role, as does family composition. New mothers in households with gross income above \$40,000 (based on the year prior to the birth or adoption of their infant) are more likely to receive benefits, and in some models this likelihood rises again with household income above \$60,000. Across all years and nationwide, being part of a dual-income couple is associated with the strongest odds of getting benefits. As well, compared with Canadian-born mothers, new mothers born outside Canada<sup>10</sup> are slightly less likely to receive benefits, although the results are not generally statistically significant. Finally, collective bargaining also seems to matter: mothers who are part of a workplace union are more likely to get access to maternity and parental benefits.

Outside Quebec, access to benefits is very unequal: new families whose children might most benefit from income support — parents who are young, less educated and have lower income, as well as single-earner or single-parent families — are least likely to get public maternity or parental benefits. Although Quebec has made changes to reduce the obstacles to entry for many more parents, benefits are still not equally used by mothers with lower socio-economic status.

Figure 3. Distribution of EI benefits among new mothers and spouses, Quebec and rest of Canada, selected years (% of total)



Source: Statistics Canada, Employment Insurance Coverage Survey, 2000, 2005 and 2014.

### Couples sharing EI benefits

Statistics Canada estimates that 27 percent of new fathers outside Quebec and 78 percent of those in Quebec have taken or plan to take some parental leave to care for a new child (Statistics Canada 2016), but not all fathers who take leave do so while using EI or QPIP benefits. Figure 3 looks at how couples are sharing EI and QPIP benefits. Consistent with the data shown in figure 2, in one in three families with a new child, neither parent claims EI family benefits; the share is much lower in Quebec under the QPIP system. For most families outside Quebec, only one parent claims EI benefits, and just 4.4 percent of couples share EI benefits between them. Since the introduction of the QPIP, including the reserved paternity benefit for fathers, couples in Quebec have become much more likely to report that two parents are beneficiaries. But it is also worth noting that, even before these reforms, Quebec couples were distinct from couples in the rest of Canada: even without reserved leave for fathers, 14 percent of Quebec couples shared EI benefits in 2005 — more than twice the rate outside Quebec. There is no doubt that the introduction of reserved leave for fathers in Quebec has significantly increased the proportion of couples there who share parental benefits. However, Quebec couples were already more likely to share paid leave before the province introduced dedicated paternity benefits. In short, it may also be that the policy change was successful in Quebec because of cultural differences.

There is an important discrepancy between the percentage of fathers who take report taking parental leave and the percentage of couples who report sharing their benefits. In Quebec, 78 percent of fathers report taking leave, but 59 percent of couples report sharing QPIP benefits. Outside Quebec, 27 percent of fathers report taking leave, but just 4 percent of couples report sharing EI parental benefits. This gap may complicate efforts to use the EI system to encourage

fathers to take leave. Previous reviews on the behavioural response of both fathers and employers to policy change suggests that, when a new minimum threshold for leave is introduced, individuals and organizations are likely to respond by anchoring their behaviour to the new “normal” threshold (Robson 2010). In some cases, this could actually lead to a reduction in the frequency or duration of leave relative to what would have happened in the absence of a policy change. I am not able to determine, from the EICS data, trends in leave-taking by fathers outside the EI system or the duration of the leave taken. But to have a large impact, a benefit reserved for fathers would have to be large enough to induce them to increase their rate of leave-taking significantly, relative to what would otherwise have occurred.

It is also important to note that not all new mothers have a partner to share the roles of caregiving and earning income. Using the EICS data, I estimate that, in 2014, one in eight new mothers (12 percent) did not have a partner; for these families, a nontransferable leave for fathers would be of no help at all in sharing the tasks of paid work and unpaid care.

### Why partners do not take leave

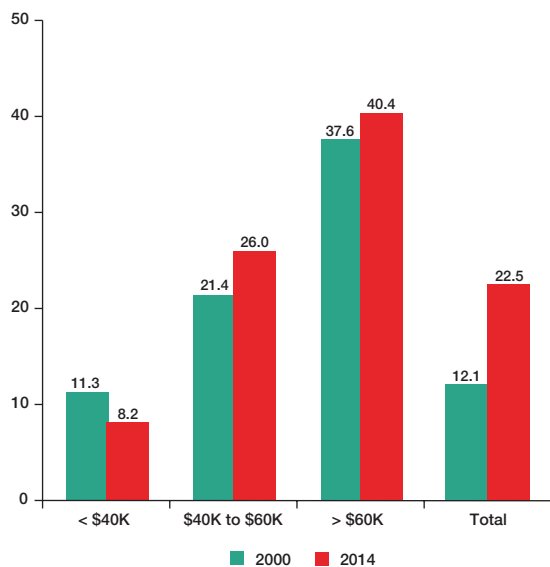
The EICS asks why a mother’s partner (if present) was not claiming any EI parental benefits.<sup>11</sup> Here my analysis is limited to families outside Quebec to better understand the obstacles fathers face in the absence of reserved leave benefits.

Overall, the most common reason cited was that the mother had wanted to be the one to stay home with the child (36 percent), followed by a belief that it was easier for the mother to take a leave from work (18 percent) and then by a choice aimed at the best financial outcome for the family (17 percent). Indeed, an earlier qualitative study finds that couples give multiple reasons for the distribution of leave they have decided on, and that partners defer to the mother’s preferences with respect to leave decisions (McKay and Doucet 2010). However, it would not be entirely accurate to portray this as a matter of preference and free choice. Here again, household income appears to play an important role: for couples with income above \$60,000, the mother’s preference is by far the most common reason cited (41 percent), but this drops significantly (to 28 percent) among couples with income below \$40,000. More revealing are income-related differences in the *second-most* frequent rationale for a partner’s not claiming EI benefits:

- among the highest-income families (above \$60,000), it was the relative ease with which the mother could take leave;
- among middle-income families (between \$40,000 and \$60,000), financial reasons were the second-most frequent;
- among lower-income families (\$40,000 and below), the second-most frequent reason given was that the partner was not eligible for EI benefits.

Couples at different income levels may face very different circumstances as they sort through how to share caregiving and earning — supportive workplaces, adequacy of income benefits and eligibility all matter. Income also shapes the choices and strategies that couples might use to manage work and caregiving. As Stalker and Ornstein note, income-related differences in the work-leave strategies of couples with young children are significant, even in Quebec: “The relative human capital advantage of men...linger[s] as a recalcitrant feature of gender

Figure 4. New mothers' reporting employer-paid maternity/parental leave top-up, by income level, Canada, 2000 and 2014 (% of total)



Source: Statistics Canada, Employment Insurance Coverage Survey, 2000, 2005 and 2014.

<sup>1</sup> Those who worked in the previous two years.

and is not easily overcome” (2013, 258). These results suggest that any wish by policy-makers and advocates to encourage more partners to claim EI benefits and take leave cannot be fulfilled through one single intervention alone.

### Who gets employer top-ups

In addition to EI or QPIP benefits, some workers also have access to employer-paid income benefits during their leave. As described earlier, some employers pay these amounts on top of EI or QPIP benefits to replace a target level of income for eligible employees. Because there is no reason to believe that employers in Quebec behave differently in this respect, I look at the full survey sample across Canada, and compare data from 2000 and 2014 for mothers who reported employment in the two

years prior to the birth or adoption of their new child. The share of these new mothers who report receiving an employer-paid top-up increased from 12.1 percent in 2000 to 22.5 percent in 2014. However, the distribution of those top-ups across income is growing less equally, as illustrated in figure 4. Among new mothers who had worked in the previous two years, the share reporting an employer-paid top-up increased for those with household income above \$40,000 and even more for those with household income above \$60,000, but decreased for those with household income below \$40,000.

### Coping with income changes after a new child

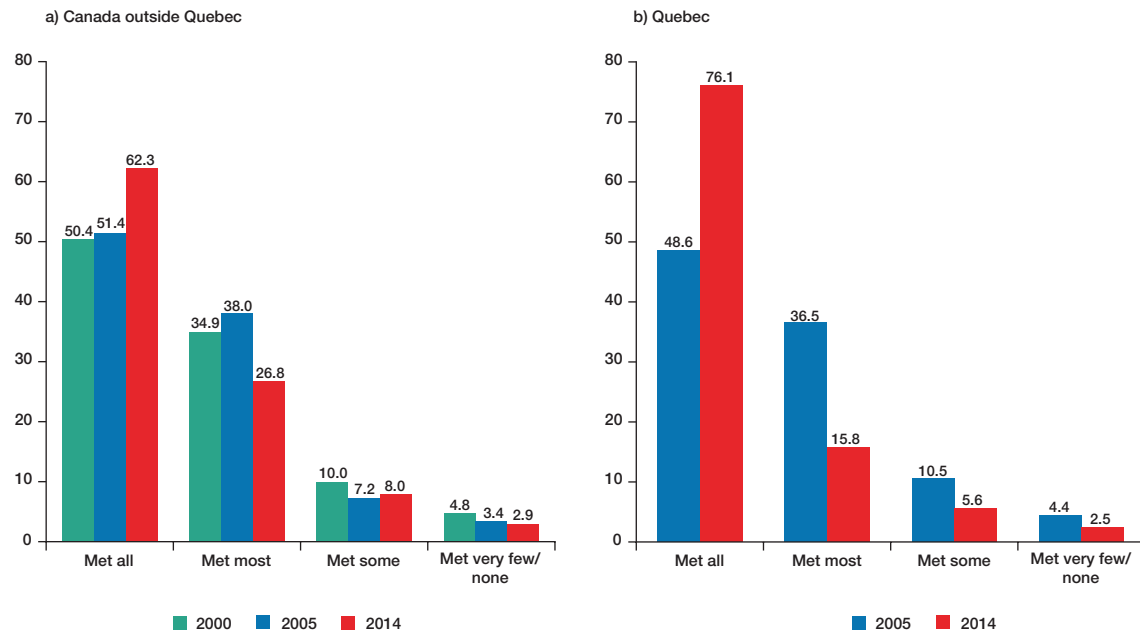
The arrival of a new child through birth or adoption, no matter how welcome, is always a shock to a household. Regular patterns (of sleep, eating, leisure and more) are disrupted, and new ongoing expenses are necessary to provide care for the newest family member. EI benefits are just one of many resources parents might use to meet household needs and balance caregiving and paid work.

EI benefits, as wage insurance, are meant to smooth income in cases of temporary earnings interruptions. But compared with EI family benefits, the QPIP seems to do a better job of smoothing income. As shown in table 4, families in Quebec are more likely to report that

	Canada outside Quebec	Canada outside Quebec, EI is main income	Quebec	Quebec, QPIP is main income
Mothers reporting that household income stayed the same after new child (%)	34.1	18.8	48.1	40.6



Figure 5. New mothers reporting household income met expenses, Quebec and rest of Canada, selected years (% of total)



Source: Statistics Canada, Employment Insurance Coverage Survey, 2000, 2005 and 2014.

their income stayed the same after the arrival of a new child. Increases in household income after the arrival of a child are not impossible, but rare, reported by just 4.2 percent of new mothers in Quebec and 8.1 percent in the rest of Canada. Decreases in household income are more common when EI or QPIP benefits are reported as the main income source. Whether a household's income rises, falls or stays the same, it is important to know whether families are able to make ends meet after the arrival of a new child. Recall that one goal of maternity and parental leave is to improve well-being by reducing work-family conflict and financial stress. Fortunately, as figure 5 shows, most new mothers — 76 percent in Quebec and 62 percent in the rest of Canada — report that household income was enough to cover all household expenses; moreover, this share has increased over time, particularly in Quebec following the introduction of QPIP.

The mix of resources and the household income before a child's birth or adoption seems to affect whether or not a family is able to cover at least most of its expenses. As reported in table A2 of the appendix, the odds of being unable to meet at least most expenses — one indicator of financial vulnerability or risk of material deprivation — are significantly higher among lower-income households and for those households that name EI or QPIP benefits as their main source of income. Employer top-ups also play an important role, reducing the odds that a household cannot cover at least most of its expenses (see table A2 in the appendix for more detailed results).

If enhancing family well-being by reducing financial strain is a goal, making ends meet is an important indicator. But another way to approach the question of financial strain and

Provinces	LICO (after tax) for 1 parent, 1 child	EI benefits on insured earnings of \$25,000 <sup>1</sup> (% of LICO)	EI benefits on insured earnings of \$40,000 (% of LICO)	Average EI benefits, 2015 (% of LICO)	Average QPIP benefits, 2015-16 (% of LICO)
Newfoundland and Labrador, Nova Scotia, New Brunswick, Saskatchewan	\$20,750	63.7	101.9	104.4	109.9
Prince Edward Island	\$20,493	64.5	103.2	105.7	111.3
Quebec, Ontario, Manitoba, Alberta, British Columbia	\$24,536	53.9	86.2	88.3	93.0

Sources: Author's calculations; Tweddle, Battle and Torjman (2015).  
<sup>1</sup> Family Supplement may also be payable.

well-being is to see whether benefits paid are enough to keep a family above some benchmark level of welfare. Recall that EI benefit rates are set as a percentage of insured earnings, and higher-wage insured parents will receive a larger benefit than lower-wage insured parents. When benefit levels are so low that they would leave a parent and child in poverty, this increases the importance of a second income to keep the family out of poverty. In table 5, I model the expected maximum EI benefits for a new parent at different levels of insured earnings as a percentage of Statistics Canada's low-income cut-off (LICO), after tax, adjusted for family and community size. LICO thresholds (reported in the second column) are a provincial average for one parent with one child.

The results suggest, for at least some families, an echo of a "breadwinner" model in public policy. EI benefits may not replace enough income to keep a parent and new child out of poverty unless another parent continues to work and earn income. This leaves a parent on EI benefits economically more vulnerable and more dependent on spousal earnings. If one policy goal is to encourage greater gender equity in paid work and unpaid caregiving, then this "breadwinner" model might act as a strong disincentive for families to share the available paid leave. That presumes, of course, there is a spouse — for 12 percent of new mothers, there is no secondary income earner who can shore up the total family income.

### Taking stock: We can do better

Casting back to the three broad policy goals outlined above, there is much in the current design of the EI system that is consistent with the goal of encouraging labour force attachment for women. Low earnings replacement rates and strong labour force participation tests for eligibility make good sense if the key goal is to protect the advances that women have made in the paid workforce. Some element of the current system is also consistent with the goal of improving well-being by reducing the financial strain on families with very young children. Most families appear to be able to meet their ongoing expenses, even if this financial security is generally related to private resources, rather than wage insurance from EI. Briefly, the current system is working well enough for many families, but important gaps remain in equity, flexibility, efficiency and effectiveness:

- too many mothers who work are ineligible for EI benefits;
- income replacement levels for many new parents are too low, leaving an important share of families unable to cover at least most of their expenses when a parent is on leave;
- lower-wage parents lack access to employer-paid top-ups to EI benefits, leaving them more vulnerable to financial stress or even poverty when they take paid leave;
- EI rules are too rigid and limit the choices available to families balancing caregiving and work. Outside Quebec, few couples share the EI benefits, but families with the lowest incomes have the least flexibility in sharing caregiving;
- EI replacement rates can leave a new parent economically vulnerable and reinforce a “breadwinner” model that discourages a second parent from sharing in parental leave;
- there is poor coordination among provincial laws governing leave, EI benefits and child care policies; and, more generally,
- the current policy mix works best for families with the lowest need — namely, couples where both parents work and the family enjoys a higher income.

Recognizing that EI is just one of many resources that shape the welfare of families caring for a new child should change the frame of reference for thinking about the best policy mix. The EI system of maternity and parental benefits is not failing, but the current policy mix is not performing as well as it could. What are the options for both short-term reforms to EI benefits for new parents and related changes required to the policy mix?

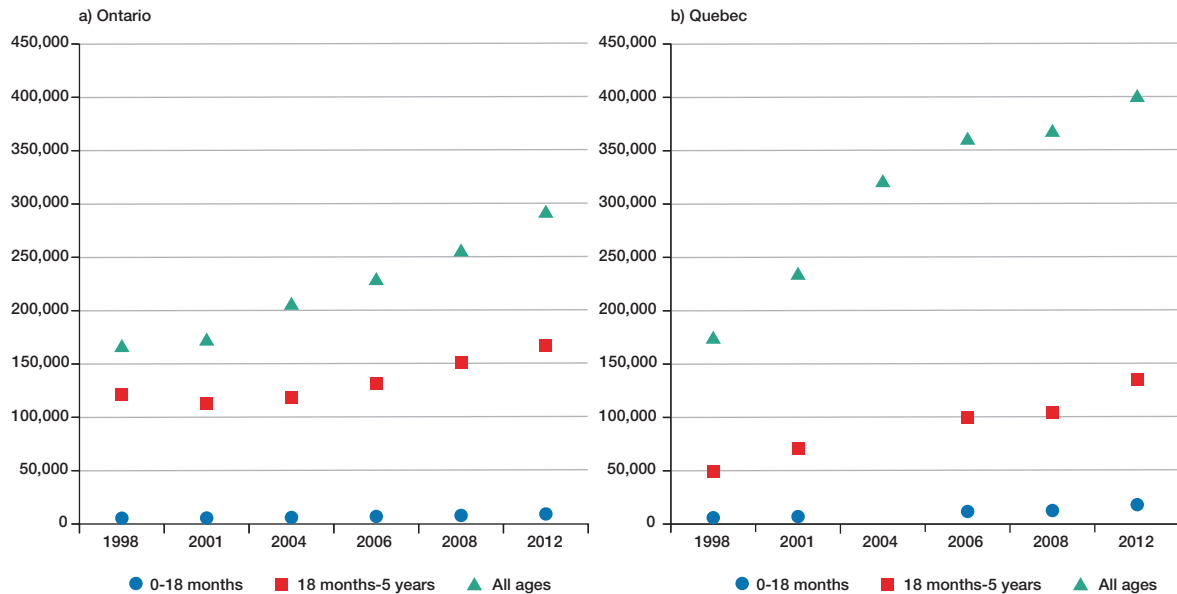
## Options for Reforming EI Benefits for Parents

Currently, the federal government is considering two options for policy reform:

- extending job-protected leave to 18 months and letting parents spread their current EI benefits over that longer time period, though at a lower replacement rate than in the current system — call this Option A; or
- keeping the replacement rate at 55 percent and letting parents choose to take the current maximum 50 weeks of EI benefits in blocks of time, before a child’s 18th month — call this Option B.

Is there a case for these options? So long as labour laws are amended to match the extension of EI benefits, some families might find something appealing in either option.<sup>12</sup> The demands of caring for a small child continue long past the 50 weeks of paid EI benefits and 52 weeks of job-protected leave. A longer leave might go some way to helping families balance paid work and unpaid care. A longer leave also might allow both parents to share the period of leave by expanding the pool of leave available. Given that many families (36 percent) report maternal preference as the primary obstacle to a second spouse’s taking leave, increasing the total duration of leave might ease some of those choices for couples. In fact, 71 percent of respondents to the government consultation reported that an 18-month leave would motivate them to share parental benefits with their partner (Nielsen Canada 2017). Both options might help more parents extend their total leave time to 18 months, when the cost of regulated child care drops significantly relative to the cost of infant care (up to 18 months).

Figure 6. Regulated child care spaces, by age of child, Ontario and Quebec, 1998-2012



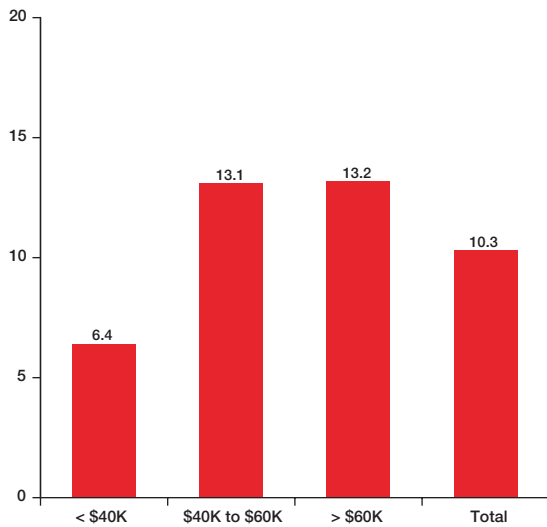
Sources: Author's calculations; Childcare Resource and Research Unit.  
 Note: Data on spaces for infants ages 0-18 months and 18 months to 5 years excluded in Quebec for 2004 due to data quality issues.

As figure 6 shows, in Ontario there are just 9,270 regulated spaces for infants in child care centres, compared with 166,890 spaces for toddlers and preschool-age children. Even in Quebec, which has made massive investments in child care services and where the number of infant care spaces more than tripled between 1998 and 2012 (from 5,800 to over 18,000), infant spaces still make up just 4.5 percent of all spaces in the province. As a share of total child care spaces, Quebec's infant spaces are only slightly higher than Ontario's (3.6 percent).

If demand for infant care is reduced, then child care providers may be able to reorient program spaces to serve children above 18 months of age. This likely response was predicted by at least one federal task force that suggested extending parental leave to 18 months as a means to expand access to affordable child care (Canada 2007). Reducing demand for infant care should, theoretically, reduce average child care fees as providers (more than three-quarters of which are nonprofit organizations) substitute toward the lower-cost spaces for older children. At average parental fees and average staff wages, infant programs also seem likely to incur operating deficits (see, for example, box 1 on page 12). If those deficits are covered by provincial operating grants or through cross-subsidization from other lower-cost (higher-profit) programs, then the cost per space to introduce new spaces should also be lower.

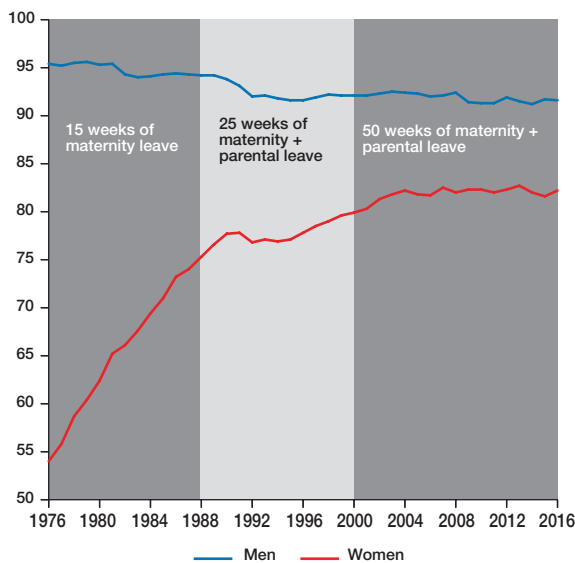
In addition to improving coordination with provincial child care systems, a federal change to longer parental leave may also provide legal recognition and job protection for the families who are already extending their leave to care for a new child. Before the last major change to EI in 2001, only 4 percent of new mothers reported that they planned a leave of more than one year, but that has since grown to 16 percent in Quebec and to 12 percent in the rest of the country.<sup>13</sup> As figure 7 shows, household income seems to play an important role in

**Figure 7. Mothers reporting planned leave of longer than 12 months, by income level, Canada, 2014 (% of total)**



Source: Source: Statistics Canada, Employment Insurance Coverage Survey, 2000, 2005 and 2014.

**Figure 8. Labour force participation rate for men and women ages 25-44, under different parental leave regimes, Canada, 1976-2016**



Source: Statistics Canada, Labour Force Survey, table 282-0002.

decisions to extend parental leaves after EI benefits have expired. New mothers with household income below \$40,000 are half as likely (either alone or with a spouse) to plan a leave longer than 12 months.

A longer parental leave may also lead to better outcomes for kids. Research on the effects of the 2001 extension of leave and benefits from 6 to 12 months found positive effects on child development, likely related to longer breastfeeding (Baker and Milligan 2008b). If leave were extended to 18 months, there may be a further benefit from the promotion of a healthy attachment between infant and parents. Attachment is a developmental process, and infant anxiety at separation from primary caregivers generally peaks near a child's first birthday, which is when, currently, a parent would be returning to work (Lamb et al. 1985; Symons 2011; Thompson 1998).

Finally, giving parents the choice to interrupt and resume benefits, as proposed by the federal government's Option B, would replicate a feature of Quebec's model that allows parents to interrupt their benefits and return to work for a period of time, with their employer's agreement. (The province does not appear, however, to publish data on how many parents make use of this provision.) For parents in nonstandard work or where a brief return might be a positive experience, the ability to exercise flexibility in the timing and duration of leave may have

some value. The ability to take paid benefits in chunks of time is also a key feature of the Swedish model of parental benefits. The Swedish system is often held up as exemplary for pursuing all three goals of maternal employment, family well-being and gender equity.

The ability to return to work, so long as the employer agrees, also might go some way to addressing potential concerns that a longer absence from paid work weakens female labour force attachment, although it is not clear that longer leave would necessarily be negative for

female employment. As illustrated in figure 8, labour force participation of women in key reproductive and child-rearing years has not declined, even as EI paid leave has expanded. During the three periods (shown as shaded blocks), women's participation rate grew or remained stable, while the participation rate of men declined gradually. Previous rounds of debate over maternity and parental leave had made it a priority to design policies that deliberately aimed to keep women in the paid workforce, sometimes at the expense of other goals, but the current labour environment for women — particularly as Canada experiences a declining labour supply — is quite different.

Employers are likely to express concerns about a longer leave due to the cost of replacing a worker for an additional six months.<sup>14</sup> However, it is not clear whether the net costs of replacing a worker would be higher for 18 months than they are for the current 12 months. Employers do appear to reap some benefits when their workers have job-protected paid leave. When parental leave was extended from 6 to 12 months, employers enjoyed a net economic benefit because mothers were more likely to return to their employer following their leave (Baker and Milligan 2008a; Zhang 2007). In the short run, longer job-protected and paid leave reduces employee turnover, but it also lowers training costs and improves productivity over the long run (Robson 2010). Furthermore, if interested parents were legally permitted to interrupt their leave to work, even periodically, participating employers may see yet further productivity gains. If employers and employees are able to find mutually acceptable arrangements to interrupt and then resume a leave, it is not clear why government policy should actively discourage such a practice. Yet current provincial labour laws in all provinces except Quebec prohibit a new parent from blending work and caregiving during the leave period.

Furthermore, current EI rules discriminate against new birth mothers, fully excluding them from participating in even the modest “Working While on Claim” pilot project. It is not clear why public policy should enforce such a stark separation between working and caregiving. This may be part of the legacy of the 1971 UI reforms that introduced maternity benefits while labelling mothers using the program “unavailable for work.” Whatever the intention 46 years ago, this is a form of gender discrimination that enforces a period of total labour market separation for new mothers who use the EI benefits. That rigid (and artificial) barrier between career time dedicated to working and time dedicated to caregiving seems to be responsible for a significant share of the persistent wage gap that mothers experience relative both to men and to women without children (Caranci and Gauthier 2010). There is good reason to be hopeful that longer and more flexible leave could have positive economic effects for both mothers and families.

In sum, I think there are reasonable arguments for the general goal of extending EI benefits and job-protected leave from 12 to 18 months. There is also a good argument for allowing workers and employers to come to arrangements that might include periods of work. The current “Working While on Claim” pilot project is a poor substitute — its rules are complicated, and the choice between the default and “optional rule” is not especially transparent.

The federal government has presented its two options as an “either/or” choice for Canadians. However, it is not clear why the reforms could not include elements of both. The government

appears to be envisioning a system in which the current maximum benefits would remain the same — namely:

- approximately \$27,000 for a birth mother and her partner at the maximum insurable earnings who take the combined 50 weeks of maternity and parental leave; or
- approximately \$22,000 for a birth mother and her partner at the average weekly benefit rate who take the combined 50 weeks of maternity and parental leave.

Under Option A, that benefit would be spread over 72 weeks instead of 50. At the maximum insurable earnings, weekly benefits would be \$375 per week for 72 weeks instead of \$540 for 50 weeks. At the average, weekly benefits would be \$305 per week for 72 weeks instead of \$427 for 50 weeks.

Under Option B, the weekly benefit would remain unchanged, but some 22 weeks of the 72-week leave period could be interrupted by paid work. In practice, a parent who started benefits but asked for no interruptions would exhaust benefits at the same time as under the current rules. The expected extension of parental leave benefits would, for this parent, be nonexistent.

The reason for asking parents to pick between continuous or interrupted leave may be one of administrative ease for the government itself. In Quebec, the QPIP system asks families to choose between one of two plans (lower benefits over a longer period or higher benefits for a shorter period) and does not let parents switch between the two. Once a benefit entitlement is calculated based on application information, it is not clear if the current administrative system — the software and administrative processes that authorize payments of EI claims — has the necessary flexibility to quickly adjust or prorate benefits in response to family choices once the claim has started. In the absence of such administrative obstacles, it is not difficult to imagine a system that offered families the options to suspend benefits and to spread benefits over the 72 weeks of a longer leave. If benefits were interrupted, the unclaimed benefits for those weeks would be applied to future weeks, up to and including the final 72nd week, with all unused benefits expiring after that.

### **Other changes that should be part of the parental leave package**

One long-standing critique of the EI benefits for new parents is that too many new mothers are excluded. Just as the Bird Commission had worried, the current system appears to have addressed some inequities by introducing new ones. It may not be possible, or even desirable, to re-engineer the system so that no new parent is excluded from eligibility, but at a minimum it seems reasonable to expect that parents who work and pay EI premiums should not be excluded unreasonably.

The QPIP model of using a modest minimum-insurable-earnings threshold to determine eligibility appears to have been successful in significantly reducing the share of new Quebec mothers who pay premiums but cannot collect benefits. Outside Quebec, nearly one in five new mothers who have worked before adopting or giving birth is unable to collect any EI benefits. For half these women, the obstacle is that they have not fulfilled the 600 hours of insured employment needed to be eligible. Moreover, there is some evidence to suggest that EI eligibility can also be a barrier to spouses who might otherwise share some of the paid leave. Moving to a

minimum insurable earnings threshold — perhaps coordinated with eligibility for the Working Income Tax Benefit for ease of administration — might go some way to making access to benefits more equitable and effective as an instrument to insure wages, improve family well-being and promote gender equity.

But what about the 25 percent of new mothers who do not work in insurable employment or who have not worked in at least two years? No adjustments to recent earnings or hourly thresholds would enable them to become eligible for benefits in a contributory insurance system such as EI. This issue of accessibility has been addressed in other countries in at least three ways (see OECD 2016a):

- *by paying a residual public allowance* to new parents who are ineligible for insurance benefits — for example, Spain, Sweden and the United Kingdom offer an allowance either at a flat rate or income tested to a ceiling amount to new mothers who are not eligible for insurance payments; these allowance payments are paid out of general revenues, rather than by contributions to social insurance, and amounts and duration tend to be far less generous than contributory insurance benefits;
- *by paying a lump-sum grant* following the birth or adoption of a new child — for example, France, Norway and Japan pay a maternity grant to mothers who are not eligible for contributory insurance benefits; in Japan and France, the amount of the benefit is tied to both family size and income; and
- *by making insurance more inclusive*, to cover as many new parents as possible — for example, Spain assesses eligibility based on 180 days of contributions over the past seven years, or 360 days over lifetime working history; the United Kingdom bases eligibility on six months' tenure with an employer and any employment during one single test week prior to the leave.

Canada's current policy mix arguably corresponds more closely to the first approach by offering federal and provincial child benefits and provincial social assistance as a program of last resort. But are these adequate? Recent changes to federal child benefits will deliver more cash to families with modest earnings one or two years prior to the birth or adoption of their child, but still not enough to function as a substitute for those who cannot access EI benefits. Social assistance, in some cases, can meet or even exceed EI benefits for new parents (see table 3), but it comes with an intrusive and burdensome administration that stigmatizes the families that use it.

It is also important to note that many other countries do not run their parental leave benefit systems through a dedicated wage insurance program, but instead through national health insurance, contributory public pension systems or even general tax revenues. Compared with EI, these instruments may give policy-makers more flexibility to fund additional benefits by distributing costs across a much broader revenue base. Those quasi-universal systems also likely generate more political support for dedicated parental benefits, since more citizens who contribute will expect personally to receive benefits at some point in their lifetime.

By comparison, Canada's EI system faces more political and fiscal challenges in delivering targeted benefits. As long as EI remains EI, there does not appear to be an obvious way to provide



coverage to new parents who are in uninsured employment or who have been out of the workforce for some time. Self-employed workers may opt into EI for maternity and parental benefits, but even years after the option was introduced, the take-up remains very small.

Improving access to EI benefits and increasing their duration will do little for families if benefit levels remain too low to enable them to make ends meet. If promoting the well-being of young families by reducing financial strain is the policy goal, then policy should aim to ensure that family income during a period of job-protected leave is adequate to avoid hardship. Reform options include, but are not limited to, further changes inside the EI system.

For instance, recent changes to federal child benefits should help more new families cope with earnings interruptions and new costs associated with the arrival of a child. However, child benefit levels are based on income before parental leave, and may not be as generous in a child's first year, when employment earnings are most likely to be reduced. To address this issue, eligibility for federal (and related provincial) child benefits during the maternity and parental leave period could be based on projected family income. For most families, it should be possible to project income using information from previous income tax returns, from the application for EI benefits and from the government's own assessment of what weekly EI will be paid out. For families who experience a significant decline in income when a parent takes a leave, this approach would enable them to collect the level of child benefits that more accurately reflects their current income, not the income they had when working. Better coordination between EI and child benefits might be one way to ensure that families make ends meet during a longer period of leave.

New measures to let parents work, even periodically, might also help families during the benefit period by expanding their choices of how to blend caregiving and earning income. The current system enforces an artificial and too strict a separation — particularly for birth mothers — between time spent working and time on benefits. Over the longer term, flexibility in combining care and paid work also might improve labour market outcomes for mothers, again improving family income.

Improving the timeliness of child benefits and enabling more parents who want to interrupt their leave with a period of work could help more families take advantage of an extended family leave benefit. But there are other design choices that would make a longer leave more (or less) accessible to some families. In its consultation paper, the federal government made it clear that it does not intend to increase the benefit replacement rate — currently set at just 55 percent of earnings up to the maximum insured earnings. This is much lower than the rate in Quebec, depending on the plan selected. A higher replacement rate, available to all parents, might help lower-income families, but middle- and upper-income earners would also see their benefits jump substantially. The costs, in terms of higher premiums, of a higher replacement rate would be significant. Instead, the goal should be to ensure an adequate income for families with very young children that keeps them out of poverty and deprivation.

In my view, the Family Supplement is a much better instrument to help low- and modest-income families than a general increase in the replacement rates. The current Family Supplement eligibility

threshold of just \$25,921 in net family income is too low to keep a family out of poverty. The government should consider a significant increase to the amount paid and should expand eligibility to cover more modest-income families. An increase in the Family Supplement would represent a fraction of the cost of an increase in the replacement rate for maternity and parental benefits, and it would deliver new benefits in a more targeted way to reach lower- and modest-income families.

Finally, very little attention has yet been paid in Canada to the role of employers in helping new families maintain income security. As illustrated in figure 4, the percentage of new parents who report receiving an employer-paid benefit on top of EI has nearly doubled since 2000. In an environment of shrinking labour supply, more employers may view these benefits as an important way to attract and retain early- and mid-career employees. Public policy can also play a role, however, in engaging employers in parental wage insurance programs. Policy-makers should take a fresh look at the EI Premium Reduction Program, a measure meant to encourage employers to offer benefits such as top-ups to maternity and parental benefits. There may be room to encourage more employers to introduce top-ups, particularly for lower-wage workers, who are currently least likely to receive them.<sup>15</sup> As currently designed, the size of the premium reduction increases with employee insurable earnings up to a maximum of only \$173 per employee per year. Rules determining employer eligibility and prescribing the use of the premium savings might be simplified and better communicated to employers. Small employers may also benefit from incentives to participate in pooled and more portable employee insurance plans if starting a top-up program on their own is too costly or complex to administer.

### **Dedicated leave and benefits for fathers**

Outside Quebec, no income insurance benefits are reserved specifically for fathers. Advocates of nontransferable paternity benefits generally offer a twofold argument: first, it would encourage more fathers to take a leave of absence and lead to cultural changes that make workplaces more flexible and family friendly; and second, it would encourage more fathers to participate, on an ongoing basis, in the unpaid care of children, thus reducing the burden on mothers and improving gender equality. The evidence for both claims is mixed at best.

Tremblay and Genin (2010) find that workers who have taken parental leave show more positive attitudes toward leave-taking, even in a male-dominated work environment. They conclude that changing public policy alone would not lead to changes in workplace culture; organizations themselves need to take steps to support parents (particularly fathers) in taking leave without fear of negative effect on their careers. Also, there may be tradeoffs from boosting caregiving by fathers. Seward, Yeatts and Zottarelli (2002), for example, report a decline in the duration of breastfeeding when paternal leave increased in Sweden.

Ekberg, Eriksson and Friebel (2005) find that, although dedicated paternity leave increased the incidence of fathers taking leave to care for a child shortly after a birth or adoption, there was no measurable increase in the incidence of caregiving leave over the longer term — for example, to care for child a who is ill on a workday. Although some other studies do find an association between reserved leave for fathers and paternal caregiving (Sullivan et al. 2009; Tanaka and Waldfogel 2007), it is difficult to determine if countries that introduce such leave are more likely

to see an increase in paternal time spent on caregiving or, instead, if countries where paternal caregiving is more common are more likely to introduce reserved paternity leave.

In Canada, for example, fathers in Quebec were more likely than fathers elsewhere in Canada to share parental benefits, even before that province's reserved "daddy days" were introduced. As I noted earlier in this study, there seem to have been important differences in Quebec, before the policy change took place, that may go some way in explaining the observed response from fathers in the province. In a study of eight developed countries, Boll, Leppin and Reich (2014) introduce a control for those pre-existing differences in explaining changes in paternal time spent on child care. Their results demonstrate an increase in time spent on child care by fathers only in countries where family leave is available to, but not reserved for, fathers. In countries where leave was explicitly reserved for dads, paternal time spent on child care was actually negative when cultural factors were taken into account.

Even setting aside the heteronormative bias implicit in having a reserved leave for a mother and a father in a couple, there are reasons to worry that, in the absence of more pressing reforms to EI, adding a dedicated paternity benefit could exacerbate inequalities among families with children. Couples with annual income below \$40,000 are less likely than higher-income couples to have both parents qualify for EI or to receive any employer top-up that makes leave more affordable, and they are more likely to report difficulty making ends meet during their child's first year. International evidence also suggests that fathers with higher education and incomes are most likely to make use of paternity leave, even when it is offered on a "use it or lose it" basis (Boll, Leppin and Reich 2010; Ekberg, Eriksson and Friebel 2005; Seward, Yeatts and Zottarelli 2002). Reserved leave and benefits for fathers could well end up giving the most help to the very families who already enjoy the best outcomes in the current system.

The international data also suggest that, even in countries with some of the most generous paid leaves reserved for fathers — in both duration and benefit rates — there is an enormous gap between policy on paper and paternal practices:

- For example, in Sweden, although 90 percent of fathers claim at least 1 day of the 480 days of paid leave available, 78 percent of all paid leave is still taken by mothers. Fathers are most likely to take one or two months in total and to use the paid leave (available until a child turns eight years old) to extend vacation time during summer and winter holidays (Wells and Sarkadi 2012).
- The gender distribution of leave taken is similar in Norway, where policy-makers have actually reduced the reserved leave for fathers from 14 to 10 weeks, and are making it easier to transfer unused leave to mothers (Eurofund 2015; OECD 2016c).
- Several countries with reserved paid leave for fathers, including Sweden and Germany, have opted to introduce cash bonuses on top of paid leave benefits to encourage heterosexual couples to split their leave more equally. European countries more generally seem to be searching for ways to encourage fathers to make use of the leave and benefits available to them (Eurofound 2015; OECD 2016b).

Finally, it is not clear that gender equity goals are necessarily well served by a reserved leave for fathers. A scan of international practice in parental leave policies finds that, although total leave available to mothers is often much longer than that available to fathers, benefits for fathers tend to be far more generous (OECD 2016a). From a gender equity perspective, this is very problematic. Some of the same European countries that are often held up as exemplary for their reserved leave for fathers also have strict rules requiring minimum labour market activity by the mother as a condition of the father's paid leave. Prohibitions against any maternal employment while receiving maternity benefits — as is currently the case in Canada — is problematic for gender equity, but so too are rules that tie the father's entitlement to paid leave to prescribed labour market performance by the mother. Again, it is not clear why Canada should be following such a “breadwinner” policy model, given the imbalances of autonomy and power it creates.

Based on the available evidence to date, the case for introducing dedicated leave and benefits for fathers is not robust. It is even less clear that such a measure ought to be prioritized over other more pressing changes that would make EI benefits more accessible and responsive to more families, giving them more choice, not less, about balancing work and caregiving. There is also reason to believe that the goals of changing workplace culture and promoting leave and caregiving by fathers could be met by longer, adequately paid and flexible leave that can be shared between parents.

An alternative way to improve gender equity in EI benefits would be to merge maternity and parental benefits into a single, transferable parental benefit. Birth mothers, including surrogates, who may need paid leave specifically to cope with pre- or postnatal physical effects from pregnancy, should still have access to reserved benefits such as the existing sickness benefit in EI. But a combined leave benefit, available to both parents, could give families more choice about how to distribute time away from work between them. The current EI system requires mothers to use their reserved leave first. This means that whatever time a father takes, the system design forces this leave to come after the mother's leave, using whatever time is left in the total allocation of 50 weeks. Even in casual conversation, people often talk about sharing parental leave as something a father might do after a mother has taken the length of leave she wants. Instead, paid leave could be treated as an entitlement granted to the *child*, and available to be shared by both parents. It is even possible to imagine a system in which eligibility for benefits could be transferred between parents or based on their pooled insured earnings, an approach that would have more in common with federal and provincial child benefits.

### **Longer-term changes: Rethinking the policy mix**

Over the longer term, Canada needs a broader re-examination of the policy architecture that supports new families. The current policy mix is complex, and various instruments are not well coordinated. Extending EI parental benefits and job-protected leave to 18 months would go some way toward addressing the disconnect between current leave provisions and access to affordable regulated child care, and may help address the wage penalties that mothers face. With targeted measures for low- and modest-income families, more families should qualify for coverage and receive benefits that replace enough of their earnings to enable them to take leave without hardship.

Some gaps in the current system are likely to grow, however. For example, without a major redefinition of “insurable employment,” the growth of freelance, dependent contract and other nonstandard employment could well mean that more new working parents will be excluded from EI family benefits in the future. At least one federal report has already flagged the need to rethink contributory insurance programs such as EI in anticipation of the future shape of Canada’s labour market (Policy Horizons Canada 2016). Meredith and Chia (2015) suggest starting a broader federal and provincial conversation about another EI special benefit, sickness benefits, with the goal of moving toward an “integrated and consistent approach” on the policy mix available to workers who fall ill. I suggest a similar conversation should be had regarding parental leave and benefits.

There remain, in my view, good reasons to question whether special benefits for parents should remain within the EI system, funded by employer and employee premiums or, instead, be converted into an income support program funded out of general revenues. If child benefit assessments and delivery can be accelerated and made more responsive to changes in income, it is possible to imagine a new income support system based on the Canada Child Benefit (CCB). During the period of job-protected leave, the benefit could be increased significantly to replace some fixed amount or proportion of earned income. As with the current CCB, the benefit rate could be progressive so that families with lower total income would receive more assistance, in contrast to the EI system, which pays larger benefits to higher-income families; regular CCB benefits would resume after the return to work, adjusted to the family’s new income. This approach would effectively turn maternity and parental benefits from an entitlement for workers with adequate insured earnings to an entitlement for each child, with benefits that can be shared by a child’s caregivers. This would be similar in many respects to the Swedish model, which allots 480 days of benefits per child to be shared between parents. Making it an entitlement of the child would also mean that single-parent families would receive the same benefits as couples (something not possible with gender-specific benefits), and that couples could choose to take leave and collect benefits within the same time period if they wished.

Moving parental benefits out of EI could also permit more flexibility and choice in the timing and level of benefits paid. For example, Swedish parents can choose to take their leave in blocks of weeks, days or even portions of a day, allowing them to select and manage their benefits as suits their particular family needs. The entitlement works more like an account, with an opening balance of 480 days, that parents draw down over time. Although parts of the leave are restricted for use only by one parent or the other, this notional bank of caregiving days does not expire until the child turns eight years old.<sup>16</sup> Sweden’s model does a far better job than Canada’s of recognizing that the pressure to take time out of paid work to care for a child does not end with parental leave, and that families benefit from longer-term flexibility.

## Conclusion and Summary of Recommendations

**A**lthough the current EI system of maternity and parental benefits is generally working to insure mothers’ wages, encourage maternal employment and promote family well-being by reducing work-family conflict and financial strain following a birth or adoption, important problems remain:

- the lack of coverage of parents who work but who do not meet EI eligibility rules;
- the inadequacy of benefits that would allow low- and modest-income families to afford to take leave;
- rigid, outdated rules that force mothers to leave paid work altogether before collecting benefits and that discourage couples from sharing leave;
- complex and confusing rules on working while on claim;
- uneven access to employer-paid top-ups to EI, from which high-income families are most likely to benefit; and
- poor coordination with provincial child care and social assistance, and limited coordination with federal and provincial child benefits.

Quebec's system of parental insurance offers several important advantages over the federal system in giving families some choice regarding the duration and level of benefits and more inclusive eligibility rules. Quebec's system also offers more flexibility for parents to take concurrent leave and lets workers (with an employer's agreement) suspend benefits and work for a period before resuming their leave. But the Quebec system has its own gaps, and it reflects a distinct set of political and policy choices in the province. Some of those same policy choices may not be attractive to or even appropriate for governments, employers and families in the rest of Canada.

The federal government is considering options to extend the benefit period for new parents from the current 50 weeks to as much as 18 months. It has proposed to let parents smooth the current benefits over a longer continuous period or instead to interrupt their paid leave with periods of paid work up to a maximum of 18 months. In general, I think there is a good policy case for extending EI benefits to 18 months using either or both of these options. A longer leave would improve coordination with provincial child care systems, likely reducing demand pressures on infant care, the most expensive form of regulated care. The policy change, if accompanied by amendments to job-protected leave, would also provide some legal protection to the many families who are already extending their leave beyond 52 weeks. There is also evidence that longer leave can improve child outcomes without necessarily resulting in worse outcomes for female employment. Finally, there are good arguments to let workers and employers come to arrangements that might include periods of work that interrupt parental leave. The current "Working While on Claim" pilot project is a poor substitute: the rules of the pilot are complicated, and the choice between the default and "optional rule" is not especially transparent.

However, the government's proposed changes will not work for families that need the most help unless other measures are part of the reform package, including:

- a more responsive and inclusive eligibility test, so that more parents who work, particularly those already paying EI premiums, are able to collect benefits;
- targeted help for low- and modest-income families through the Family Supplement;
- changes to better coordinate EI benefits with income-tested child benefits; and
- a review of incentives for employers who top up benefits for their employees, with the goal of increasing employer participation, particularly by those with lower-wage workers.

Although I agree with other authors that the use of EI parental benefits remains very unequal between mothers and fathers, I am less enthusiastic about introducing a reserved leave for fathers. The available evidence is, to my mind, far more mixed in terms of the effects on employers and on paternal participation in caregiving. Jurisdictions with reserved paternal leave are themselves struggling to boost take-up beyond token levels, and there seem to be undesirable trade-offs when a reserved paternity leave is introduced. That said, gender equity is an important goal that is not well served in the current EI design. Within the EI system, changes should be made to give more equitable treatment to mothers and fathers by removing an archaic penalty against new mothers for working and by giving parents more choice in who takes leave when.

Over the longer term, it is not clear that EI benefits for parents ought to remain within an EI system that was never designed for this purpose. The federal government has good reason to move ahead with a planned extension of benefits — so long as other measures are in place to improve the accessibility and equity of longer leave. But there are even better reasons to look for alternatives to EI for families with young children. No amount of incremental change to EI will make it possible for Canada to match the kind of personalized, flexible approach that Sweden has adopted. Maternity benefits were originally created 46 years ago as a niche program, grafted onto a much larger wage-insurance system. But today, benefits for parents are a large and growing part of demands on the EI program. The system has marched steadily forward over the past 46 years, with incremental changes that have performed reasonably well for many families. But we ought to be making it a priority to ensure that all families are included and have adequate income protection when children are youngest. Some of the changes proposed can make the current system work better in the short term, but Canada is long overdue for a broader, more ambitious review of the policy mix for working families.

# Appendix

**Table A1. Logistic regression: Odds of new mother reporting EI or QPIP benefits**

	Canada outside Quebec				Quebec only							
	Integrated sample (n = 3,835)	Subsample: 2000 (n = 1,508)	Subsample: 2014 (n = 665)	Integrated sample (n = 877)	Subsample: 2005 (n = 384)	Subsample: 2014 (n = 163)						
	Odds ratio	SE	Odds ratio	SE	Odds ratio	SE	Odds ratio	SE				
Age (ref: 15-24)	1.79***	0.28	2.08**	0.44	1.96	0.87	1.64	0.52	2.55	1.24	1.11	1.08
Education (ref: less than grade 9)												
Secondary, nongraduate	2.73	1.85	1.00	0.98	NA		0.28	0.34	0.04*	0.05	NA	
Secondary graduate	5.24*	3.48	4.26	4.08	1.77	0.96	0.59	0.62	1.62	2.07	78.81**	110.16
Some post-secondary, no diploma/degree	5.50*	3.72	2.40	2.36	0.41	0.24	0.60	0.69	0.11	0.16	NA	
College/trades diploma	5.71**	3.75	2.85	2.71	1.79	0.91	0.34	0.36	0.07*	0.08	70.17***	69.41
University degree	6.08**	4.04	5.76	5.58	1.29	0.69	0.74	0.84	0.26	0.36	109.53**	148.23
Immigrant status (ref: Canadian-born)												
Immigrant	0.82	0.13	0.69	0.15	1.10	0.44	0.37*	0.16	0.33	0.24	0.76	0.84
Collective bargaining (ref: union member)												
Not a union member	0.68**	0.09	0.65*	0.13	0.48	0.19	0.47**	0.13	0.48	0.24	0.12	0.13
Household income before birth (ref: less than \$20K)												
\$20K to < \$40K	1.91***	0.32	1.43	0.31	2.16	1.04	3.39**	1.27	8.80**	5.19	1.86	1.67
\$40K to \$60K	2.39***	0.46	1.57	0.41	2.83	1.53	4.62**	2.03	6.60**	4.64	7.86	8.80
More than \$60K	2.07***	0.40	2.07*	0.63	1.94	1.00	5.04**	2.54	11.63***	7.82	4.74	9.20
Family type (ref: families with no earners and other family types)												
Single parents	2.40**	0.78	1.05	0.55	13.88**	12.65	2.44	1.97	4.42	4.28	NA	
Dual-earner couples	7.62***	2.24	3.06*	1.42	16.83***	14.92	24.58***	15.97	17.72***	14.79	3.65	5.30
Single-earner couples	1.14	0.34	0.79	0.37	14.17**	12.26	2.64	1.70	8.59**	7.10	0.09	0.11
Constant	0.08	0.06	0.27	0.29	0.02	0.02	0.43	0.53	0.10	0.15	0.52	0.73

Sources: Author's calculations based on Tweedle, Battle and Torjman (2015) and Statistics Canada, Employment Insurance Coverage Survey, 2000, 2005 and 2014.

\*p < .1    \*\*p < .05    \*\*\*p < .01



**Table A2. Logistic regression: Odds of new mother reporting household income meets less than most of household expenses, Canada**

2014 sample (N = 957)		
	Odds ratio	SE
EI or QPIP is main income (ref: other source is main income)	2.63*	1.06
Household income before birth (ref: > \$60K)		
< \$40K	2.56*	1.07
\$40K to \$60K	0.85	0.39
Employer top-up to EI/QPIP (ref: receives top-up)		
No top-up	0.98	0.50
Constant	0.06	0.02
<b>2-way factorial model</b>		
Interaction of EI/QPIP and top-up (ref: EI/QPIP is not main income, receives employer top-up)		
EI/QPIP is not main, no top-up	1.21	0.57
EI/QPIP is main, no top-up	4.56*	2.68
EI/QPIP is main, receives top-up	1.12	1.10
Constant	0.08	0.03
Sources: Author's calculations based on Tweddle, Battle and Torjman (2015) and Statistics Canada, Employment Insurance Coverage Survey, 2000, 2005 and 2014.		
* $p < .1$		

## Notes

1. Like the Liberal Party, the Conservative Party of Canada promised an extension of parental leave benefits to 18 months, with greater flexibility for parents to work without benefit interruption. The New Democratic Party promised an additional 5 weeks of benefits to be reserved for a second parent and to double the duration of parental leave for parents of multiples from 35 weeks to 70 weeks.
2. See Statistics Canada, CANSIM database, table 282-0015.
3. Here the term “dependent contractor” refers to a worker who may provide periodic or even regular services for pay to a firm, but who is not contracted as an employee of that firm. These arrangements may be for casual employment, for example. Such workers may or may not describe themselves as self-employed, but generally will depend on one or a small number of client firms for their income. In *Keenan v. Canac Kitchens* (2015 ONSC 1055), the court considered the exclusivity of the work contracted, the control exercised by the worker and the market risk absorbed by the worker, among other factors, to determine that a long-term dependent contractor should in fact be treated as an employee. The treatment of such work — as self-employed or an employee — remains contested, and there is no official count of the number of Canadian workers employed in this fashion.
4. Here and throughout, I use the term “new parents” to refer to any person who has become a parent to a newborn or newly adopted child. The term is meant to include parents with previous children (through birth or adoption). Where relevant, I specify the gender of the parent and whether the child was born to or adopted by the couple.
5. New claims for child benefits made in the first six months of the calendar year will be based on household income as assessed in the tax returns two years earlier. New claims for benefits made in the latter six months of the calendar year will be based on household income assessed in the returns of the prior calendar year. Income assessments are harmonized for both federal and provincial benefits.
6. See, for example, Phipps (2006) and Turgeon (2011). It is also worth noting that the 1970 White Paper on UI reforms had independently proposed to add a new short-term sickness benefit, which would also have been consistent with short-term leave for incapacity due to pregnancy and recovery after childbirth.
7. Originally, the time limits were no sooner than six weeks prior to the expected due date and no later than six weeks after the expected or actual birth. Today, maternity benefits can be paid beginning no earlier than eight weeks before the expected birth and no later than 17 weeks after the expected or actual birth, whichever is later.
8. Under the Working While on Claim pilot, EI benefit recipients are permitted to keep 50 percent of reported earnings without penalty and up to 90 percent of their insurable earnings is used to set their benefit rate. New mothers receiving maternity benefits are not eligible to take part in the Working While on Claim rules, and will have any earnings clawed back from their EI benefits.
9. Statistics Canada, CANSIM database, table 282-0012.
10. Duration of time in Canada is not available in the public use data file.
11. All responses in the EICS to questions on maternity and parental leave were provided by mothers.
12. The public response during the consultation was strongly in favour of the longer leave (60 percent support). However, fewer than one in five respondents expressed support for the option of taking leave in blocks of time (Nielsen Canada 2017).
13. Author’s analysis of Employment Insurance Coverage Survey, 2000 and 2014.
14. In their response to the federal government consultation, employers in small- and medium-sized enterprises expressed concerns about managing a longer leave and also about the cost of EI more generally.
15. This has also been recommended in relation to EI sickness benefits; see Meredith and Chia (2015).
16. Under recent changes to the policy, a maximum of 96 days can be carried forward after a child’s fourth birthday.

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## About This Study

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**Jennifer Robson** is an assistant professor of political management at Kroeger College, Carleton University, where she teaches courses in public policy and Canadian politics. Previously she has worked in the federal public service and in federal politics, and she was director of research at Social and Enterprise Development Innovations (now Prosper Canada). Her primary area of research is Canadian social policy, with a particular interest in distributional issues and policy design.

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