

Federal budget 2017: What does an 18-month parental leave mean for Canadian employers? ^[1]

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Source: Global News

Format: Article

Publication Date: 23 Mar 2017

AVAILABILITY

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EXCERPTS

Canadian employers aren't thrilled with the Liberals' plan to extend parental leave and benefits to 18 months. But they aren't terribly concerned either.

The government introduced the changes in its 2017 budget, unveiled yesterday, making good on a longstanding campaign promise. New parents now have the option of taking 18 months of leave at a benefits rate of 33 per cent of average weekly earnings. Canadians can still choose to take the traditional 12 months of leave at a benefit rate of 55 per cent of earnings.

"We're pleased that at the moment [the government] is spreading the same amount of money over a longer period of time," said Dan Kelly, president and CEO of the Canadian Federation of Independent Business (CFIB). "It's not a direct financial hit to the Employment Insurance (EI) system."

To have employees spend such a long stretch of time away from work poses a series of hurdles for Canadian businesses, said Kelly. However, he added, "we're not lighting our heads on fire over this."

Harder for employees to catch up after 18 months off work

One of the worries for businesses is about reintegrating employees who take the full 18 months of leave.

"It's not terribly many people that would be able to spend that length of time away from the workforce and then plug right back in," said Kelly.

A longer leave might mean that "employers will have to invest a bit more in retraining when someone returns," said Nora Spinks, CEO of the Vanier Institute of the Family.

Off for 18 months, on for a short period, then off again?

The possibility exists for workers to take an extended period out of the office to care for a newborn, come back for a relatively short amount of time, and then leave again for baby No. 2.

That's already a challenge for employers with the current 12-month leave, but "it becomes an even greater challenge the longer the leave provisions are," said Kelly.

Spinks, however, noted that the current trend is toward parents stretching the gap between pregnancies, often due to the high cost of child care.

What happens with employer top-ups?

Another open question is what happens to employer compensation policies that provide for a top-up in addition to EI benefits, said Spinks of the Vanier Institute.

It will have to be seen whether businesses decide to increase top-ups to guarantee the same level of compensation starting from a lower EI benefit, or whether they will take their cue from the government and stretch the same pot of money over a longer period of time, said Spinks.

The issue, though, is a bit of a moot point for small businesses, where top-ups are rare, said Kelly.

On the plus side, it could be easier for some businesses to hire replacements for 18 months

Although he shares concerns over retraining and employees coming back for a short time between long leave periods, Jamie Knight, president of the Canadian Association of Counsel to Employers, told Global News via email he believes that "in some respects, temporarily

replacing a worker is easier for employers if the leave is longer.”

Being able to offer a longer temporary contract might attract a better pool of candidates from which to select a replacement hire.

Small businesses, however, typically opt to make do without filling a vacancy left by someone on maternity or parental leave.

“If that person is gone now for 18 months, it’s that much harder for employers to give extra responsibilities to other staff,” said Kelly.

Take-up among parents likely to be low

Despite their worries, businesses don’t expect to have to deal with the new 18-month parental leave all too often, said Kelly.

The income drop tied to the lower benefit rate is so significant, that “we don’t expect the take-up [among parents] would be huge,” he added.

Kelly, who said some Canadian families already struggle to make ends meet with the current EI benefit level, noted the option of taking 18 months at an even lower rate would likely be “impractical” for many.

It was a concern that both CFIB and labour unions voiced during pre-budget discussions, he noted.

“We actually did agree” with the unions, he said.

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