

# Budget takes baby steps to extend parental leave<sup>[1]</sup>

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## EXCERPTS

Will \$2,451.84 close the gender wage gap?

Long before today's budget, Justin Trudeau had been signalling that he wanted to do something on dedicated paid leave for a second parent of a newborn or newly adopted child. He had expressed interest in it even before the 2015 election. One of his advisors, Reva Seth (who is now in Silicon Valley with her husband who was appointed as Canada's trade representative to the region), had written that "a mandatory national paternity leave would be the most effective, efficient and enjoyable way" to "disrupt" the gender gap in time spent working for pay and time spent caring for kids.

But so-called "daddy days" weren't in the 2015 Liberal election platform. They weren't part of the recommendations from the House of Commons Finance Committee. A search of pre-budget submission found one mention of the idea, from the Canadian Centre for Policy Alternatives, who didn't speak to the idea again in their testimony. You won't find dedicated second parent days them mentioned in the government's "Mandate Tracker".

Budget 2017 is here and it promises that "improving parental benefits will help parents to share the burden of care at home more equally". Specifically, the budget promises, to offer couples an additional 5 weeks of paid leave if they each agree to share at least 5 weeks of the parental leave benefits. The reserved 15 weeks of maternity leave for birth mothers remains in place and the option to spread benefits over 18 months instead 12 likewise remains unchanged. While observers had mused whether the second parent might pay out a higher rate, the government has opted to keep it at the same basic replacement rate as benefits today.

The government estimates that this will cost approximately \$240 million per year initially, rising to \$344.7 million per year after 5 years. Using that number, let's work backwards to see how the government sees this working out:

- There are about 196,000 claims each year for parental benefits in Employment Insurance. Let's take out about 10 per cent of those for mothers who don't have a partner. That leaves us about 177,000 claims of which about 13 per cent, Budget 2018 notes, are already filed by men as a second parent.
- In 2018, let's assume, based on past trends, that men's average insurable earnings will be higher than women's (because -gender wage gap-) and that, as a result men will get an average of \$490 per week compared to women's average of \$438 per week.
- If you are a second parent as a dad, then you'll stand to get about \$2,450 out of the new benefit if you and your partner each agree to stay home for at least 5 weeks.
- If you are a second parent as a mom, then you'll stand to get about \$2,190 or about 11 per cent less.
- Given all the above, to spend \$240 million per year on the new dedicated second parent leave, you have to assume that, if most second parents are male, then at least 63 per cent of couples will share the leave to get the new benefit, rising to about 70 per cent after 5 years.
- That would start to bring the EI system close to the take-up levels of the often-lauded Quebec program.

There are some catches though, because this is a new benefit in an old system.

First, the budget doesn't make it any easier to qualify for EI. When talk about take-up numbers, remember this is only for parents who qualify. And parents who qualify are more like to have higher earnings, have higher education and be part of a union. The Budget doesn't change any of that. If your spouse doesn't work enough, or in the right kind of employment, he or she won't be able to split the time and share in the new dedicated benefit.

Second, the numbers above are for the average parent who qualifies for EI. Parents who work in low wage jobs might qualify, but they'll find it hard to make ends meet. The budget is proposing to finally do away with a 47-year prohibition on letting women on maternity benefits earn any income at all. This may do a little to improve labour market attachment for women and, at the very least, it seems timely in 2018 to stop telling women when they can work and when they should go home to the kitchen.

Third, the government could have increased the targeted supplement that it pays to lower income families. Using the same \$240 million per year, it could have nearly tripled the targeted top-ups for lower income families who are on EI and otherwise trying to care for a new child on about \$300 a week or less.

Finally, take-up of a program is not evidence of impact on families. Even if the new benefit eventually reaches 70 per cent of couples, the key question should be about what difference will this make, given that about a third of dads already take some time off (even though only 14 per cent are using EI). The government says this is about closing the wage gap by making it easier for women to get back into the workforce while their partner is at home as the primary caregiver to their child. That's a big bet.

Looking at other countries (see table of OECD data) that have had a similar dedicated second parent leave, it's not so clear what the effects will be. Canadian women already work a lot and Canadian men already report doing a lot of childcare (see data table). Canadian women's labour force participation is already about as high or even higher and they are more likely to be managers.

And yet, Canada's gender wage gap, as the Budget notes, is real. Other budget measures, like pay equity legislation and better public reporting, may go some way to helping close it. I suspect that Trudeau may have a difficult time showing that \$2,451.84 has made a real difference. One suspects this is more about a tip-of-the-hat to some couples who value and practice greater gender equity.

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