

Mat-leave policy doesn't add up to sound policy [CA]^[1]

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EXCERPTS

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If Harper spent last week revealing his softer, more human side (apparently we women prefer to vote for humans), this week, he's showing women the money.

Self-employed taxpayers are currently not allowed to contribute to the Employment Insurance plan, and hence can't draw EI benefits (except in Quebec). Harper proposes to allow self-employed parents-to-be (read moms) to opt voluntarily into the program.

Those who do will have to contribute a minimum of six months before making a claim.

The regular rules of the EI program would apply. In terms of what benefits are worth, that means 55 per cent of insurable income, to a maximum of \$435 a week. (The EI program allows for a total of 50 weeks of maternity and parental leave combined.) It's easy to imagine how this would appeal to, say, a female consultant who works from her home office. Her husband has a full-time job and she'd like to take some time off after having her baby. Some extra income would be quite welcome, maybe even allow the new mom to stay off work a bit longer.

This is the 30-something, educated, professional woman the Tories have in mind. They hope she will help deliver them a majority next month.

Combine this EI innovation with yesterday's announcement of a \$5,000 tax credit for first-time homebuyers, and it's not hard to see how Harper might appeal to a young couple starting out in the world.

But here's why it may be bad policy:

The Conservatives say the plan will be worth \$147 million a year, but will be revenue neutral -- that is, the premiums paid into the program will cover the benefits being drawn out by mommy and daddy.

But it's hard to figure how that will happen.

The only people opting into the program are those who are virtually guaranteed to benefit from it. To qualify, a self-employed person would have to opt in six months before making a claim. That means a woman would start contributing after she's already pregnant. Why start sooner? And if you're a man, why start at all?

Insurance plans don't work that way, of course. Usually, many people who never end up making a claim must pay into the program in order to cover the high cost of those who end up needing benefits.

In Quebec, where a similar maternity and parental leave program already exists, everyone who's self-employed has to pay into the plan. Under Harper's proposal, the costs of the pay-outs will presumably be absorbed by the general EI pool.

So how high will premiums have to be under this new parental benefit to cover the costs, given that everyone who pays money in will expect to draw money out? No one knows. The new Canada Employment Insurance Financing Board will set the premiums, conveniently, after the election.

Another wrinkle: once you've opted in, you have to keep contributing as long as you're self-employed. So it's unlikely that a self-employed man, who typically would take a couple months of parental leave, is going to opt in for eight weeks of benefits, only to pay for them for the rest of his career.

For women, it will be more complicated. Depending on how a self-employed woman makes her living, she may not be able to afford to be off for any period of time -- businesses don't run themselves.

A woman's salary level plays an important factor, too. If she makes \$80,000 a year, the \$435 a week will be well under what the equivalent of 55 per cent of her income would be. If she makes \$40,000 a year, however, it might be worth her while. Or maybe not.

It may turn out that this plan is a lot like Harper's promise during the last election to convince corporations to create 125,000 new day-care spaces.

It sounded good, but they never materialized -- the incentives just weren't good enough.

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- reprinted from the Ottawa Citizen

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