
Earnings and Employment Trends ♦ September 1999

The Proposed Extension of Employment Insurance (EI) Maternity Benefits Could Decrease BC's Unemployment Rate

In mid-October, the Federal Government announced their intention to extend parental benefits under the EI program from 25 weeks to a proposed maximum of 52 weeks. The change is scheduled to come into effect in January 2001.

The current EI rules provide the mother with 15 weeks of maternity benefits after which either parent is entitled to a further 10 weeks of parental benefits. In 1998, there was an average of 5,760 beneficiaries¹ on maternity leave and a further 3,560 beneficiaries on parental leave each month. This represents a total of 9,320 parents each month taking advantage of the EI maternity/parental program.

The data show that more than 90 per cent of those mothers who take advantage of EI subsidized maternity leave, either the mother or the father continue on to parental leave. Under the proposed new plan, we could expect the average number of beneficiaries on maternity/parental leave to increase by approximately 9,000, up to 18,000 each month, assuming that the same proportion will take their full entitlement of 52 weeks of subsidized leave.

There has been much concern expressed, particularly by the business community, regarding the EI funding of the resulting increased costs of this new program. Using the employee/business premiums of an unemployment insurance fund to finance a federal social program to benefit children, hardly meets the criteria of an insurance plan. However, there may be some justification in the funding source. Given that many of the jobs held by staff on maternity/parental leave will have to be back-filled through the hiring of new employees, many of those replacements likely will be recruited from the unemployed receiving EI. The extent that this occurs will directly reduce the costs to the EI fund. In fact, the net costs of the proposed expanded program could be minimal.

In addition to the long-term benefits that will accrue to both individuals and society due to parents spending a full year with their new-borns, the proposed scheme could also reduce BC's unemployment rate. Up to an additional 9,000 unemployed persons might be able to find jobs filling in for parents on leave. At best, the unemployment rate could be reduced by close to one-half a percentage point. Put in context to BC's current unemployment rate of 8.0 per cent, a 9,000 reduction in the number of unemployed could reduce that rate to as low as 7.5 per cent.

¹ This number includes approximately 40 adoptive parents

In fact, EI maternity insurance has aspects of a work-sharing program where the new parent(s) are being subsidized by society to take leave in order to work at full-time parenting while the “unemployed” are being compensated by employers to temporarily fill in for their employees on parental leave. In this context, the expanded program could be a win-win situation.

TITLES OF PREVIOUS ISSUES	ISSUE NUMBER
Changes to “Earnings and Employment Trends”	99-08
The EI Program – Regional Differences	99-05
The Impending Labour Shortage in BC	99-.04
Incidence of Low Income	99-03
BC Youth and the Minimum Wage	99-02
Minimum Wage Workers in BC	99-01
Economic Diversity in the Regions	98-12
Youth in BC – Their Job Prospects Are Improving	98-11
BC Men – Their Labour Market Participation Declines	98-10
BC Women – Strong Labour Market in 1998	98-09
Labour Market Comparisons – CMA’s to rest of BC	98-08
BC’s Recent Employment Growth	98-07
Changes in Earning Capacity: 1990 to 1995	98-06
Occupational Integration of Men & Women	98-05
Who Works Overtime – The Gender Gap	98-04
The Changing Structure of the Work-Week	98-03
Multi-Job Holders in BC	98-02
Gender Economic Equality - Progress in BC	98-01
Education Levels of Income Assistance Recipients	97-12
BC’s Unemployed and Unemployment Insurance	97-11
Important Sectors for Youth Employment	97-10
Duration of Unemployment	97-09
Men and Women in the BC Job Market—20 Yr Persp.	97-08
Workers’ Pensions	97-07
Youth: How Have They Fared in the '90s?	97-06
The Value of Education—It pays to stay in school	97-05
Service Producing Industries in BC	97-04