



A Cost Estimate of Bill C-464: *Parental Leave for Multiple Births or Multiple Adoptions*

Ottawa, Canada
December 21, 2012
Revised February 19, 2013*
www.pbo-dpb.gc.ca

*This note has been revised to reflect an updated assumption regarding the total eligible population.

Key Points of this Note:

- In September 2011 the Standing Committee on Finance (FINA) passed a motion that “[c]onsistent with the Parliamentary Budget Officer (PBO) mandate... the PBO automatically always provide the Committee, within 45 calendar days of a Private Members’ Business item’s appearance on the Private Members’ Business Order of Precedence, a detailed and comprehensive costing analysis of all such items.”
- This report fulfills that motion with respect to Bill C-464: An Act to amend the *Canada Labour Code* and the *Employment Insurance Act* (parental leave for multiple births or adoptions). The proposed legislative amendments would increase the generosity of benefits provided to eligible employees in the case of multiple births or multiple adoptions. Specifically:
 - An employee would be entitled to a leave of absence of up to seventy-two weeks (currently thirty-seven weeks); and,
 - Parental benefits could be paid for up to seventy weeks (currently thirty-five weeks).
- Financially, the proposed extension in Employment Insurance Parental Benefits would benefit approximately 6,700 families per year, and have an initial annual cost of approximately \$40 million in 2013. The expense would be borne by the Employment Insurance Fund.
 - The Employment Insurance program is financed by the collection of premiums from employees and employers. Therefore, in order for the program to remain self-financing, any increase in expenditures would require an equivalent increase in EI premium revenues.

Prepared by: Jason Jacques *

* The author would like to thank Jason Stanton for research assistance as well as Human Resources and Skills Development Canada for their timely aid. Contact Jason Jacques (e-mail: jason.jacques@parl.gc.ca) for further information.

1 Introduction

The Parliamentary Budget Officer's (PBO's) legislative mandate includes the preparation of cost estimates for any issue under the jurisdiction of Parliament.¹ In September 2011, the House of Commons Standing Committee on Finance passed a motion requiring that the PBO prepare a cost estimate of all private members' bills (PMBs) within 45 calendar days of the item's appearance on the PMB Order of Precedence.

Bill C-464: *An Act to amend the Canada Labour Code and the Employment Insurance Act (parental leave for multiple births or adoptions)* would double the maximum parental benefits for eligible employees in the case of multiple births or multiple adoptions.² Specifically:

- The *Canada Labour Code* would be amended to increase the maximum leave of absence from thirty-seven weeks to seventy-two weeks.
- The *Employment Insurance Act* would be amended to increase the maximum number of weeks for Parental Benefits from thirty-five to seventy.

From a fiscal perspective, the extended entitlement to Employment Insurance Parental Benefits is the only material consideration in this cost estimate.

2 Methodology

Consistent with earlier cost estimates prepared by the PBO regarding proposed amendments to the *Employment Insurance Act*, the methodology used for Bill C-464 focuses on static analysis. This approach prepares an overall cost estimate by:

- i. Identifying the group that would benefit from the proposed legislative amendments;

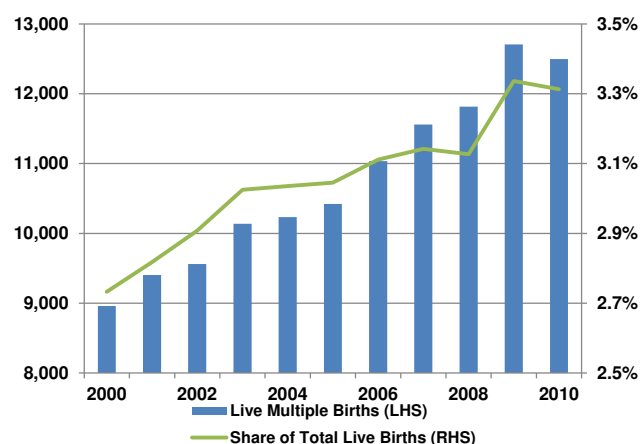
- ii. Assessing the level of those potential benefits; and,
- iii. Determining the duration of those benefits.

The dynamic impacts arising from behavioural changes are not considered within this analysis (*i.e.* the likelihood that decisions regarding household fertility will be directly influenced as a result of the proposed legislative amendments).

Eligible Group

Over the past decade, the number of multiple live births in Canada has grown from approximately 9,000 in 2000 to almost 12,500 in 2010 (Figure 2-1).³

Figure 2-1
Multiple Live Births



Source: Statistics Canada; PBO calculation.

As a share of total live births, multiple live births have increased from 2.7 per cent to 3.3 per cent over the same period of time, which is a cumulative average growth rate of 1.9 per cent per annum.

Reliable data regarding multiple adoptions were unavailable, but for the purposes of this analysis it is assumed to be a non-material number.

¹ <http://laws-lois.justice.gc.ca/eng/acts/P-1/FullText.html?term=79.2>. Accessed September 2012.

² http://www.parl.gc.ca/content/hoc/Bills/411/Private/C-464/C-464_1/C-464_1.PDF. Accessed December 2012.

³ <http://www5.statcan.gc.ca/cansim/a26.jsessionid=06B26092CA4053195FA962CCA2EA38A2?id=1024515&pattern=births&p2=9&p1=1&tabMode=dataTable&retrLang=eng&srchLang=-1&lang=eng>. Accessed December 2012.

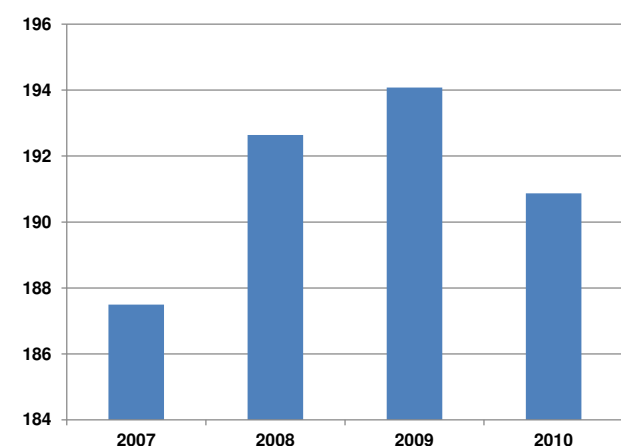
As presented in Figure 2-2, there were approximately 191,000 Employment Insurance Parental Benefits claims paid to biological and adoptive parents in 2010.⁴ This represents a cumulative annual growth rate of 0.7 per cent over the four-year period.⁵

Figure 2-2

Employment Insurance:

Total Parental Benefit Claims

(#000's)



Source: Human Resources and Skills Development Canada; PBO calculations.

Assuming that the share of multiple live births in total live births (*MB Ratio*) is representative of the share of multiple births among the population claiming Employment Insurance Parental Benefits (*Total PB*), this suggests that there could be up to 6,300 individuals that would be eligible to benefit from the proposed legislative amendments (*Eligible Pop*) in 2010.⁶

Assuming that the historical cumulative average growth rates remain steady, this would suggest an eligible population of 6,700 for the 2013 calendar year. As these families already receive benefits for one child, it is assumed that the incremental cost pertains to 3,350 children.

⁴http://www.hrsdc.gc.ca/eng/employment/ei/reports/eimar_2011/cha-pter3_1.shtml. Accessed December 2012.

⁵As Quebec administers its own parental insurance plan separate from the Employment Insurance Parental Benefits program, the eligible population excludes residents of that province.

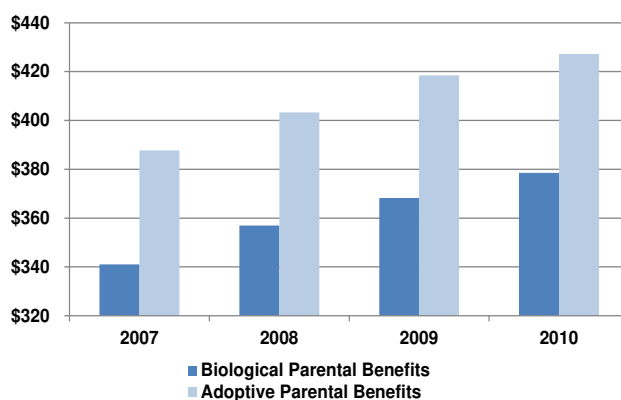
⁶ $MB\ Ratio \times Total\ PB = Eligible\ Pop = 3.3\ per\ cent \times 191,000 = 6,303.$

Level of Benefits

The average weekly claim for Employment Insurance Parental Benefits has grown steadily over the past four years, reaching almost \$430 per week for adoptive parents and \$380 for biological parents in 2010 (Figure 2-3).⁷

Figure 2-3

Employment Insurance: Average Weekly Payments for Parental Benefits



Source: Human Resources and Skills Development Canada; PBO calculation.

Given that almost 99% of the claims pertain to biological parents, the weighted average value was also approximately \$380 per week (*Avg Weekly Claim*). The cumulative average growth rate of weekly benefit payments over the same period is 3.5 per cent.

Assuming the growth rate remains stable, this would suggest an average weekly benefit of approximately \$420 for the 2013 calendar year.

⁷http://www.hrsdc.gc.ca/eng/employment/ei/reports/eimar_2011/cha-pter3_1.shtml. Accessed December 2012.

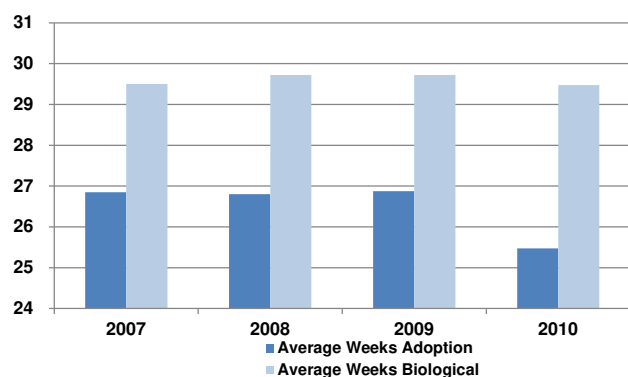
Duration of Benefits

The average duration of an Employment Insurance Parental Benefits Claim has fallen slightly for both biological and adoptive parents between 2007 and 2010, reaching 29.5 weeks and 25.5 weeks, respectively (Figure 2-4).⁸

Figure 2-4

Employment Insurance: Parental Benefits Average Duration of Claim

(# Weeks)



Source: Human Resources and Skills Development Canada; PBO calculations.

The weighted average duration of claim was approximately 29.4 weeks in 2010, with a cumulative average growth rate of -0.03 per cent. Assuming this growth rate remains stable, this suggests that the average duration of claim will reach 29.1 weeks in 2013 (*Avg Dur*).

3 Cost Estimate

The cost estimate for Bill C-464 is calculated from:

$$\text{Eligible Pop} \times \text{Avg Weekly Claim} \times \text{Avg Dur};$$

which for 2013 is projected to be:

$$3,350 \text{ claims} \times \$420 \text{ per week} \times 29.1 \text{ weeks};$$

which is equal to approximately \$40 million per year. This figure would be expected to grow over time, as increases in *Eligible Pop* and *Avg Weekly Claim* are slightly offset by a small decline in *Avg Dur*.

The Employment Insurance program is financed by the collection of premiums from employees and employers. Therefore, in order for the program to remain self-financing, any increase in expenditures arising from implementing Bill C-464 would require an equivalent increase in EI premium revenue

⁸http://www.hrsdc.gc.ca/eng/employment/ei/reports/eimar_2011/cha_pter3_1.shtml. Accessed December 2012.