

Cost Estimate of Election Campaign Proposal

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Short title: EI Adoption Leave

Description: Creating EI adoption leave benefits for parents who adopt a child that is under the age of 18. The adoption leave benefits will be for 15 weeks, functioning similarly to EI maternity benefits. The policy will be implemented on April 1st, 2020.

The EI program is self-financing; any new EI benefits must be fully funded by the premiums employees and employers pay. Over the period of projection, the introduction of EI adoption leave benefits will increase the premium rate paid by employees and employers by less than 1-cent from the baseline.

This proposal interacts with two other proposals. The first would progressively decrease the federal income tax rate of the first bracket from 15% to 13.75% starting in 2021 and the second would create a tax credit for EI, maternity and parental leave benefits.

Operating line(s): Employment Insurance Benefits
Personal Income Tax

Data sources:	<u>Variable</u>	<u>Source</u>
	EI parental benefit recipients	PBO analysis of Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) v. 27.1 ¹
	Average weekly benefits and average weeks claimed by EI maternity benefit recipients	Statistics Canada's Social Policy Simulation Database and Model (SPSD/M) v. 27.1
	Beneficiaries of EI adoption benefits	Statistics Canada Table 14-10-0138-01 Employment Insurance Program (EI), income beneficiaries by province, type of income benefit, sex and age
	Projected EI benefits growth rate	PBO Election Platform Costing Baseline
	EI premium revenue and administration costs	PBO's fiscal model

¹ This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSPD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.

Estimation and
projection method:

The cost of extending maternity leave benefits to adoptive parents was calculated by multiplying the number of eligible recipients by the average weekly EI benefit, and by the number of weeks of leave. The ratio of EI parental benefit recipients who have adopted their child to the total number of EI parental benefit recipients was applied to the estimated number of EI maternity benefit recipients to determine the number of eligible recipients. The ratio was estimated using historical data from Statistics Canada Table 14-10-0138-01. The number of EI parental benefit recipients was estimated using SPSPD/M. The weekly benefit and number of weeks of leave were estimated using the average values among EI maternity benefit recipients in SPSPD/M.

The increase in personal income tax receipts from the new EI benefits was calculated by applying the average marginal tax rate of EI parental benefit recipients to the total amount of EI adoption leave benefits. The average marginal tax rate of EI parental benefit recipients was calculated in SPSPD/M.

Projections beyond 2025 for EI maternity benefits for adoptive parents were based on the growth rate of EI benefits. The administrative costs and the required premium revenue to fund the cost of the policy were estimated using PBO's fiscal model.

Uncertainty
assessment:

The estimate has moderate uncertainty. The extension of parental leave benefits is simulated rather than being based on actual parental leave data uptake. This estimate assumes the take-up rate among the estimated number of eligible recipients of EI adoption benefits is 100%. Average weekly benefits and number of weeks among EI maternity benefit recipients may not represent that of adoptive parents. SPSPD/M maternity and parental EI benefits do not perfectly match those of the public accounts and could be under or overstated.

Cost of proposed measure

\$ millions	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Gross cost	-	12	13	13	14	14	15	15	16	16

Supplementary information

	Description	Operating line	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Cost	Adoption leave EI Benefits	Employment Insurance Benefits	-	11	12	12	13	13	14	14	14	15
	Administration costs	Employment Insurance	-	1	1	1	1	1	1	1	1	1
Cost recovery	EI Premium Revenue	Employment Insurance	-	-3	-14	-15	-15	-16	-16	-17	-16	-16
Tax Implication ²	EI Premium Tax Credit and PIT Revenue from EI Benefits	CIT and PIT	-	-2	-small	-small	-small	-small	-small	-small	-small	-small
	Interaction Effects	PIT	-	1	2	2	2	2	2	2	2	2
Gross cost			-	12	13	13	14	14	15	15	16	16

Notes:

Estimates are presented on an accruals basis as would appear in the budget and public accounts.

Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.

"-" = PBO does not expect a financial cost

² The personal income tax provided in the table is the net impact from an increase in personal income taxes due to higher benefits and a decrease in personal income taxes due to higher premiums.