



December 18, 2008

The Hon. Diane Finley, P.C., M.P.  
Minister of Human Resources and Skills Development  
House of Commons  
Ottawa, ON K1A 0A6

Dear Minister,

On behalf of the Canadian Bar Association, I am writing to congratulate you on your appointment as Minister of Human Resources and Skills Development.

The CBA is a national association representing approximately 37,000 jurists, including lawyers, notaries, law teachers and students across Canada. Our primary objectives are to uphold the Rule of Law, improve the administration of justice, and promote equality in the law. We wish to identify some key concerns of the legal profession within your portfolio.

#### **Extending Employment Insurance Maternity and Parental Benefits**

We were very pleased when Prime Minister Harper announced plans to extend EI maternity and parental leave benefits to the self-employed. As the September 15, 2008 Backgrounder to the announcement noted, the CBA has been a proponent of such an initiative for some time. We share your view that extending these benefits can improve the well-being of thousands of Canadian families each year.

Currently, few self-employed persons have access to EI coverage (the exceptions being fishers, taxi drivers, manicurists and hairdressers, among others). Extending EI maternity and parental benefits to the self-employed will ensure more working parents can spend time with their new child during critical stages of development. In a time of financial instability it is even more essential that parents have appropriate income support for maternity and parental leaves, regardless of income source.

There remain many questions as to how extending the program would be structured. In that regard, we commend to you the Quebec Parental Insurance Program (QPIP), which came into force in January 2006, as a progressive model. Under this program, beneficiaries can choose a higher rate of benefits for a smaller number of weeks, providing the flexibility critical for small businesses. Eligibility for QPIP is also easier than EI, requiring only \$2000 of earnings in the



past year (net income for self-employed), a higher maximum insured earnings (\$59,000), and higher maximum weekly benefits. Enhanced benefits would help ensure that parents' businesses remain viable while they take leave.

We attach a recent statistical report prepared by Dr. Richard Shillington for the CBA on extending EI maternity and parental benefits to the self-employed. The report demonstrates that this is an economically viable and socially important program, whether by extending the existing EI program, or preferably, by instituting a more flexible program based on the QPIP model. Highlights of Dr. Shillington's findings include:

- Approximately 5% of Canadian employed women of child-bearing age and 6% of employed men aged 15-44 are self-employed.
- Proportionately, slightly more self-employed women are among new mothers than in the female labour force. 11% of new mothers who worked at any time in the last year were self-employed.
- Extending EI maternity and parental leave benefits to the self-employed would increase the number of beneficiaries by 4%. It would increase benefit expenditures only by 3%, due to the lower incomes of self-employed women.
- If the QPIP model were adopted nation-wide, inclusion of the self-employed might still represent only a 4% increase in maternity and parental benefits beneficiaries and a 3% increase in benefit expenditures over the cost of a QPIP-like program where they were excluded.
- Benefit expenditures could be off-set by premiums and taxes paid on benefits.

As Dr. Shillington notes in his report, there is a disparity in treatment between employee top-ups to EI/QPIP maternity and parental benefits, which are not clawed back, and part-time employment. This difference in treatment between employer top-up and part-time employment should ultimately be removed. Few self-employed people can completely remove themselves from their business during maternity and parental leave.<sup>1</sup> This change would ensure real entitlement to maternity and parental benefits, not simply entitlement on paper for the self-employed.

We hope you find this report helpful, and we would welcome an opportunity to work with you and your officials to assist in developing the structure of the new program.

### **Immigration matters**

The CBA Citizenship and Immigration Law Section appreciates the bi-annual meetings with key members of your Department to discuss the challenges front line officers face in processing Labour Market Opinions and Arranged Employment Opinions, and to engage in a mutual

---

<sup>1</sup> See study by Jennifer Rooney, Donna Lero, Karen Korabik and Denise L. Whitehead, *Self-Employment for Women: Policy Options that Promote Equality and Economic Opportunities* (Ottawa: Status of Women Canada, 2003), online: [http://www.swc-cfc.gc.ca/pubs/pubspr/0662354303/index\\_e.html](http://www.swc-cfc.gc.ca/pubs/pubspr/0662354303/index_e.html). The authors found that three-quarters of the self-employed women they interviewed felt current benefit levels would not be adequate to keep their businesses viable. Almost all the women felt there should be the option of working part-time while on maternity leave, and the majority preferred an option of taking a shorter leave than 12 months at a higher rate of benefits.



exchange of ideas about operational improvements. The Section executive would welcome an opportunity to meet with you at your earliest convenience to discuss issues of mutual concern.

We also wish to invite you to attend the CBA National Citizenship and Immigration Law Conference in Whistler, BC on April 16-18, 2009. This annual event, co-chaired by the CBA Section and the Department of Justice, attracts over 300 participants, including immigration lawyers from across Canada, senior government staff and Federal Court judges. We have been pleased to host your predecessors in past years and we believe it will provide you with an excellent platform to address an audience of partners in the delivery of your Department's services in an immigration context.

Like you, we are committed to ensuring that the laws your Department administers promote justice. We look forward to working with you.

Yours truly,

*(Original signed by J. Guy Joubert)*

J. Guy Joubert

**Access to Maternity and Parental Benefits for Self-Employed New  
Parents**

**REPORT**

**Prepared for**

**Canadian Bar Association**

**by**

**Informetrica Limited**

**Fall 2008**

Richard Shillington Ph.D.

# **Access to Maternity and Parental Benefits for Self-Employed New Parents**

## **Executive Summary**

This research has covered the impact of extending these benefits to the self-employed under E.I. and also under a national program structured like the Quebec Parental Insurance Plan (QPIP) program.

The findings are as follows:

- Roughly 5% of Canadian employed women of child-bearing age are self-employed; 6% of employed men aged 15-44 are self-employed.
- Extending existing Employment Insurance (E.I.) maternity and parental benefits to the self-employed would increase the number of beneficiaries by about 4% or about 25,000. The increase in benefit expenditures would be about 3% or \$100M.
- QPIP has increased the reach of maternity and parental benefits in Quebec by covering more parents, including the self-employed, who would not have been eligible for E.I. and providing higher benefits.
- The introduction of QPIP in Quebec increased maternity and parental benefits from roughly \$700M under E.I. to about \$830M for 2006 the first year of operation. The on-going costs in Quebec are expected to be roughly \$1,400M.
- Including the self-employed in a QPIP plan at the national level might, over such a plan without the self-employed, increase the number of beneficiaries by 4% and the dollar value of benefits by 3%.
- The increase in maternity and parental benefits for the rest of Canada adopting a “QPIP like” plan is expected to be about \$2,600M.

There remains a need for greater need for flexibility in how new parents can receive maternity and parental benefits and maintain some attachment to the labour force. The QPIP introduced some choice in the duration and level of benefit. This is a useful first step but further flexibility which might allow a return to the labour force on a part-time basis, while keeping some benefits would be helpful.

## Table of Contents

1	Objectives .....	1
2	Births in Canada .....	1
3	Self-Employment and Births .....	3
3.1	Births and Self-Employed Women .....	3
4	Ratio of Maternity Benefits to Births .....	5
5	Maternity Benefits under QPIP – Quebec .....	8
5.1	Description of Benefits .....	8
5.2	Types of benefits under QPIP .....	9
5.3	Utilization of QPIP Benefits in Quebec during 2006 .....	10
5.4	Cost of benefits – First Year of QPIP .....	13
5.5	Premiums .....	16
5.6	Contributors .....	17
6	Including the Self-Employed under E.I. ....	18
7	Projected Impact of QPIP at the National Level .....	19
8	Improvements in Design .....	21
9	Conclusions .....	21
10	Glossary .....	23
11	Bibliography .....	24

# Access to Maternity and Parental Benefits for Self-Employed New Parents

## 1 Objectives

This report presents the data that have been gathered concerning maternity and parental benefits and its possible extension to the self-employed population. This could be accomplished by extending Employment Insurance (E.I.) maternity and parental benefits to the self-employed or implementing at the national level a program like the Québec Parental Insurance Plan (QPIP) which covers the self-employed. This report includes an analysis of the implications in beneficiaries and benefits that a maternity and parental benefit program like the QPIP would have for Canada.

Maternity and parental benefits are delivered through E.I. outside of Quebec and, under the current rules, self-employed mothers will generally not be eligible; unless they combined some self-employment with paid employment.

The Quebec program QPIP is different from E.I. in three significant ways:

- QPIP covers the self-employed population.
- The benefits are higher.
- The structure of the benefits has some flexibility.

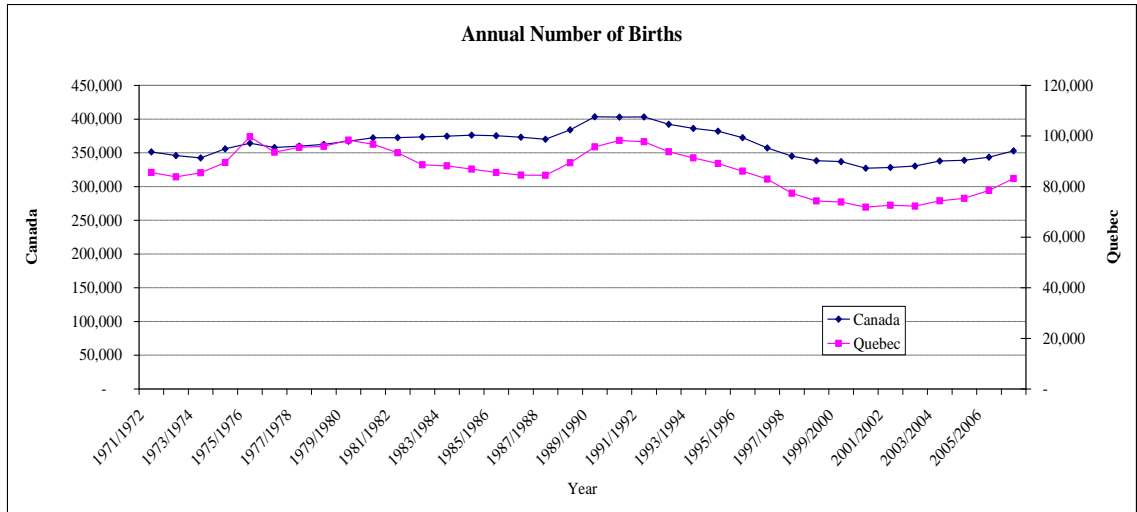
This report will consider the implications of introducing a QPIP program at the national level. This report will concentrate on the implications for the self-employed population.

There is a Glossary, which includes a description of the terms used in this report.

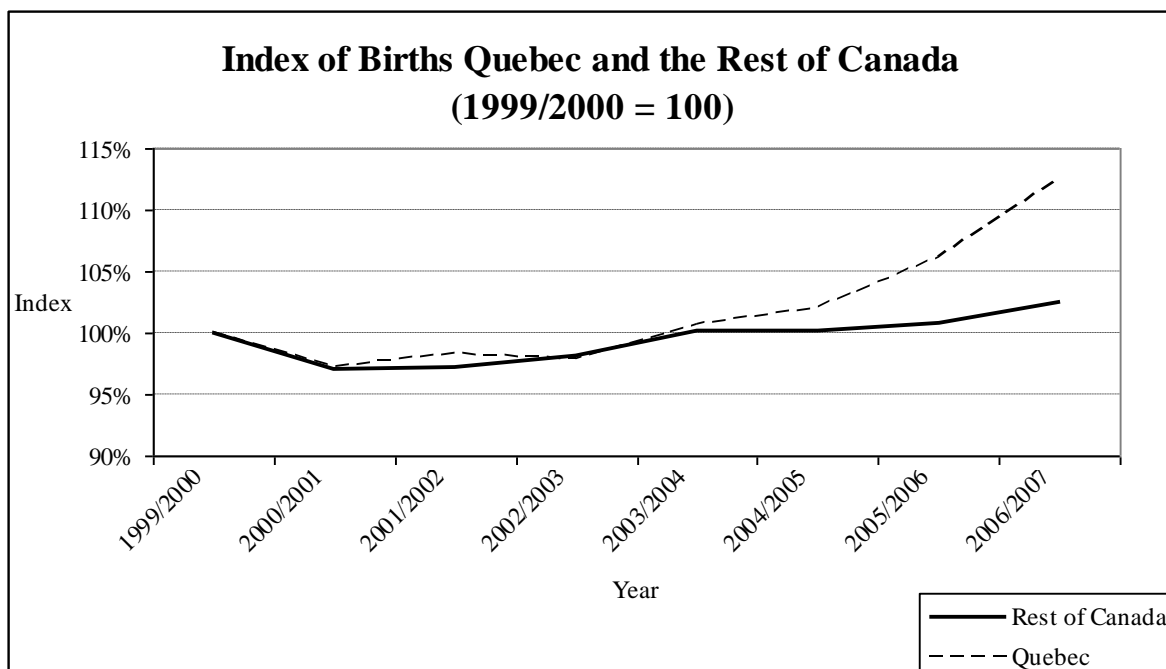
## 2 Births in Canada

The following chart, Figure 1, demonstrates long-term trends in births in Quebec and Canada. Broadly speaking, the trends are similar, with a peak in the number of births in about 1990, followed by a decline which ends around the year 2001. The figure shows increases since 2001 that look proportionately greater for Quebec than for Canada.

Figure 1



The trend in births since the year 2001 is examined in greater detail in the figure below. To ease the comparison the number of births in Quebec and Canada are presented in the chart as an index relative to the fiscal year 1999/2000 (1999/2000 = 100). In more recent years there has been a dramatic increase in births in Quebec that out paces the trend in the rest of Canada. Since the fiscal year 1999/2000, the number of births has increased by about 3% in Canada and 12% in Quebec. The increase in the number of births in Quebec coincides with the introduction of the childcare program in Quebec, and the recent introduction of QPIP.





### 3 Self-Employment and Births

The data in the table below are from Census data are the number of males and females of child-bearing age who are employees and who are self-employed. One notes that self-employed women are about 5% of women working (employed or self-employed) who are in the age groups 15-44.

**Table 1**

		<b>Canadian Employed Population by Class of Work and Gender, 2001</b>		
		<b>Paid Employment</b>	<b>Self-Employed</b>	<b>Self-Employed as a Percent of the Those Working</b>
Female	15-19	640,000	10,000	2%
	20-24	887,000	14,000	2%
	25-29	864,000	35,000	4%
	30-34	906,000	61,000	6%
	35-39	1,066,000	87,000	8%
	40-44	1,100,000	90,000	8%
	<b>Total 15-44</b>	<b>5,465,000</b>	<b>297,000</b>	<b>5%</b>
Male	15-19	701,000	12,000	2%
	20-24	928,000	23,000	2%
	25-29	884,000	46,000	5%
	30-34	960,000	76,000	7%
	35-39	1,134,000	115,000	9%
	40-44	1,140,000	125,000	10%
	<b>Total 15-44</b>	<b>5,748,000</b>	<b>398,000</b>	<b>6%</b>

Source: Special Tabulations by Informetrica Limited using the Census Micro-data file.

The data above indicate the number of men who are employed by age group. The age groups presented are those of “child bearing age”. There is no table of “fertility rates” of fathers. Looking at the table, and recalling that men tend to be married to women who are similar in age to them, one might expect that about 6% of new fathers are self-employed.

The proportion of working Canadians who are self-employed varies dramatically with each age group.

#### 3.1 Births and Self-Employed Women

Ideally, one would like to have estimated the relative fertility rates of self-employed, as compared to other women (for those in child-bearing age groups). A specific study on the fertility rates of self-

employed women could be undertaken using Statistics Canada surveys but would require funds and permission to access to internal files which put it beyond the scope of this report.

The author has published a study on access to maternity benefits (Shillington, 2007). Data from that study gives some indication on the share of new mothers who are self-employed. The data are based on analyses of the Statistics Canada survey, The Survey of Labour Income Dynamics (SLID), for the period 1992-2003 (this long period was necessary to yield enough births in the study for analysis).

These data concern new mothers and the proportion that were self-employed the year before they gave birth. These data, from a sample survey that will differ somewhat from the Census data (of child-bearing age), indicate:

- that self-employed women are about 7% of the female labour force; this is similar to the figure of 5% found above based on census data (as a percent of women working).
- that self-employed new mothers are about 9% of new mothers.
- that self-employed new mothers were about 11% of new mothers who had worked at any time in the last year.

It would appear that self-employed women are somewhat over-represented among new mothers in the labour force as compared to their representation among women in the labour force generally (11% compared to 7%). This may be because self-employed women are over represented in ages with higher fertility rates. This result should be interpreted as a preliminary rough indicator as the data used were not collected for the current purpose.

**Table 2**

**Self-Employed Women and Mothers: Analysis of Births and the Labour Force 1992-2003**

Self-Employed Women as a Percent of Female Labour Force	7%
Self-Employed New Mothers as a Proportion of those with Labour Force Experience* in last year.	11%
Self-Employed New Mothers as a Percent of New Mothers	9%
Note: ‘with Labour Force Experience’ means some employment at some point in the last year.	
Source: Calculations by the author using the Statistics Canada Survey of Labour Income Dynamics.	

If you apply the fertility rates of all women to the self-employed populations from the Census, about 15,000 births annually would be expected for self-employed females in Canada.

The following data on earnings indicate that, for women, the average earnings of the self-employed are lower than for paid employees. For men the average is lower in each age group but overall is the same.<sup>1</sup>

**Table 3**

<b>Average Earnings of the Canada Population by Labour Force Status and Gender, 2001</b>			
		<b>Paid Employment</b>	<b>Self-Employed</b>
Female	15-19	\$ 5,000	\$ 3,000
	20-24	\$ 13,000	\$ 10,000
	25-29	\$ 25,000	\$ 18,000
	30-34	\$ 30,000	\$ 21,000
	35-39	\$ 32,000	\$ 22,000
	40-44	\$ 34,000	\$ 25,000
	<b>Total 15-44</b>	<b>\$ 25,000</b>	<b>\$ 21,000</b>
Male	15-19	\$ 6,000	\$ 5,000
	20-24	\$ 17,000	\$ 16,000
	25-29	\$ 34,000	\$ 31,000
	30-34	\$ 44,000	\$ 36,000
	35-39	\$ 50,000	\$ 40,000
	40-44	\$ 54,000	\$ 41,000
	<b>Total 15-44</b>	<b>\$ 36,000</b>	<b>\$ 36,000</b>

Source: Special Tabulations by Informetrica Limited using the Census Micro-data file.

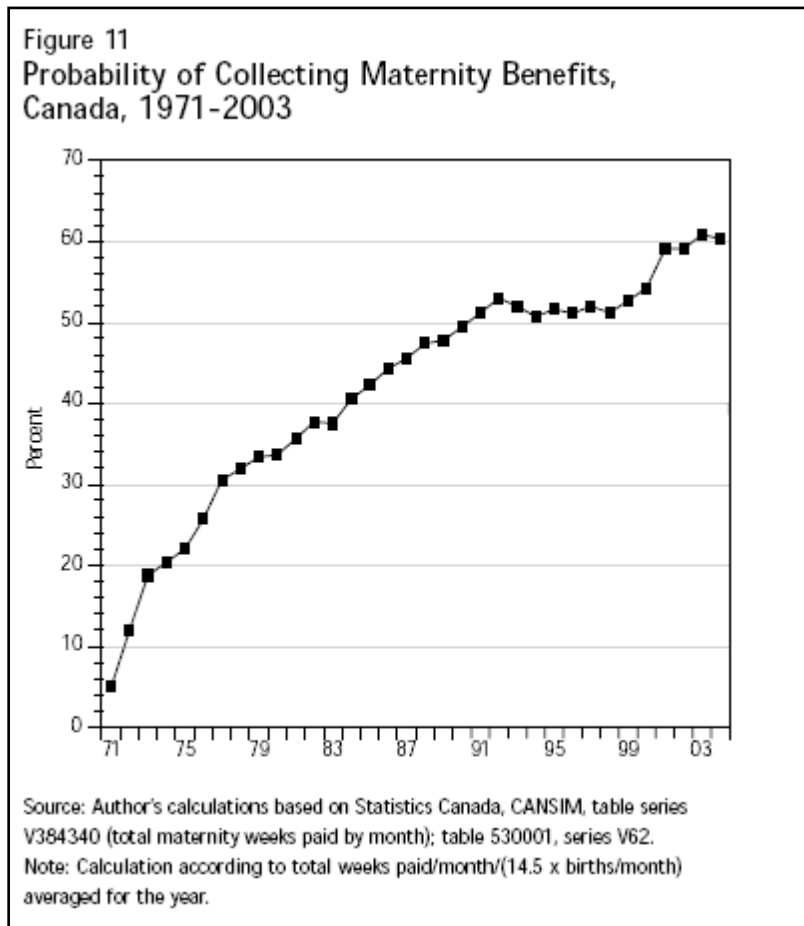
#### **4 Ratio of Maternity Benefits to Births**

The eligibility for publicly administered maternity benefits differs between E.I. and QPIP. Under the federal programs eligibility was 20 weeks of insured employment in the past year under Unemployment Insurance (until 1997) and 600 hours of insured employment in the past year under E.I. (after 1997). Under the QPIP, eligibility is based on annual earnings. Eligibility is based on \$2,000 of earnings (wages plus self-employed earnings) in the past year.

<sup>1</sup> This surprising result is because the age distribution of male paid employees is very different from the age distribution of the self-employed.

The following chart was compiled by Phipps based on data from Statistics Canada. Over the long run there has been a trend to increasing coverage as eligibility for maternity benefits under E.I. have been eased. There was no change in coverage rates in the 1990's - the regulations were constant.

Figure 2



Contemporary figures are as follows: E.I. maternity benefits reach about 60% of new mothers and about 85% of new mothers with labour force attachment<sup>2</sup>.

The QPIP program for 2006 would appear to increase new maternity claims by about 25% as compared to previous years. Indeed, the data below indicate that the ratio of new maternity claims to births was just under 60% under E.I. and has jumped to about 75% under QPIP.

<sup>2</sup> The 85% means this proportion of new mothers who satisfy E.I. regulations for eligibility to maternity benefits (ie. 600 hours of insured employment in the past year).

The new claimant data for the Table below come from the annual report from HRSDC, the Monitoring and Assessment Reports<sup>3</sup>; the most recent report provided data for 2004/2005.

**Table 4**

<b>Ratio of New Maternity Claims to Births, Canada and Quebec</b>						
	<b>New Maternity Claims</b>		<b>Births</b>		<b>Ratio of New Maternity Benefits Claims to Births</b>	
	Canada	Quebec	Canada	Quebec	Canada	Quebec
<b>1989/1999</b>	173,920	39,600	338,295	74,292	51%	53%
<b>1999/2000</b>	175,800	40,890	336,912	73,900	52%	55%
<b>2000/2001</b>	175,620	40,870	327,107	71,825	54%	57%
<b>2001/2002</b>	193,020	45,030	328,155	72,602	59%	62%
<b>2002/2003</b>	190,720	45,410	330,523	72,273	58%	63%
<b>2003/2004</b>	201,610	47,390	337,762	74,364	60%	64%
<b>2004/2005</b>	199,360	47,460	338,894	75,347	59%	63%
<b>2005/2006</b>			343,517	78,450		
<b>2006*</b>		61,290		82,100		75%
* Note: data for Quebec only						
<b>Source:</b> Claims E.I. - Various Monitoring and Assessment Reports - HRSDC; QPIP for 2006 - Quebec Data provided by Province of Quebec						
<b>Births:</b> Statistics Canada; CANSIM Table 051-0013; Province of Quebec for 2006						

<sup>3</sup> [http://www.hrsdc.gc.ca/en/employment/employment\\_measures/EBSM/index.shtml](http://www.hrsdc.gc.ca/en/employment/employment_measures/EBSM/index.shtml).

## 5 Maternity Benefits under QPIP – Quebec

In 2006 Quebec withdrew from the E.I. maternity benefit program and established its own program. That program, Québec Parental Insurance Plan (QPIP), extended maternity benefit entitlement to all mothers with labour force attachment in the past year (subject only to \$2,000 in earnings).

Many new mothers who would not be eligible for E.I. are eligible for the QPIP program. This includes self-employed and also those whose limited hours of employment in the past year (fewer than 600 hours) would have left them ineligible for benefits under E.I.

### 5.1 Description of Benefits

The benefits available under the Quebec program are significantly more generous than those available under E.I.

In comparing E.I. maternity benefits to the QPIP benefits the first differences are in eligibility and insured earnings. QPIP covers more of the labour force; including the self-employed and more of those who work part-time. Also, benefits are much more generous with higher replacement rates and a higher maximum insured earnings; the maximum weekly benefit under E.I. is about \$ 425; the maximum available under QPIP is about \$ 850.

Table 5

Program Parameters for E.I. and QPIP		
	E.I.	QPIP
<b>Eligibility</b>	600 hours of insured employment in the past 12 months	\$ 2,000 of earnings <sup>4</sup> in the past year
<b>Maximum Insured Earnings</b>	Roughly \$ 40,000 of insured earnings (excludes tips and self-employment)	Roughly \$ 59,000 of earnings (including tips and self-employment)
<b>Benefit Rate</b>	55% of benefits (80% for low income with children)	Varies over time periods from 55% to 75% (80% for low income with children)
<b>Maximum weekly benefit</b>	Roughly \$ 425	Roughly \$ 850
<b>Waiting period</b>	2 weeks	No waiting period
Source: adapted from Phipps (2006)		

<sup>4</sup> Earnings are based on the income reported from wages plus self-employment (net income) on the income tax return.

There are a number of other important differences between QPIP and the E.I. benefits. In addition to the maternity benefit, which can only be taken by the mother, and the parental benefit, which can be shared between the parents, there is also a paternity benefit of 3 to 5 weeks, which can be taken only by the father.

## 5.2 Types of benefits under QPIP

There is also some flexibility in how benefits are structured. Parents must choose between two options: the basic plan or the special plan. In so doing, they decide the duration of their leave as well as their income replacement rate. The choice of plan is determined by the first parent to receive benefits and cannot be modified. As a result, this decision binds the other parent, even in the event of joint custody.

Beneficiaries can receive maternity benefits, under the special plan, at a 75% replacement rate for 15 weeks or, under the basic plan, at a 70% replacement rate for 18 weeks. For paternity benefits the special plan is 75% for 3 weeks and the regular plan is 70% for 5 weeks.

Parental benefits, under the special plan, can be 25 weeks at 75%; under the regular plan they could be 7 weeks at 70%, followed by 25 weeks at 55%.

Four types of benefits are offered under the Québec Parental Insurance Plan:

- **maternity benefits:** available only to the mothers
- **paternity benefits:** available only to the father
- **parental benefits:** available to be shared between the mother and father
- **adoption benefits:** available to be shared between the adoptive parents

The following table indicates the maximum number of benefit weeks and percentage of average weekly income for each type of benefits, depending on the plan chosen.

**Table 6**

Types of benefits	Basic plan		Special plan	
	Maximum number of benefit weeks	Percentage of average weekly income	Maximum number of benefit weeks	Percentage of average weekly income
<b>Maternity</b>	18	70 %	15	75 %
<b>Paternity</b>	5	70 %	3	75 %
<b>Parental</b>	7 25 (7+25=32)	70 % 55 %	25	75 %
<b>Adoption</b>	12 25 (12+25=37)	70 % 55 %	28	75 %

Source: [http://www.rqap.gouv.qc.ca/prestations/index\\_en.asp](http://www.rqap.gouv.qc.ca/prestations/index_en.asp)

### 5.3 Utilization of QPIP Benefits in Quebec during 2006

QPIP was introduced in January of 2006. At the time of writing (Winter 2008) information is available only for the calendar year 2006.

One expects the utilization of QPIP for parental and paternity benefits for the second year of operation will be substantially higher than the first year.

Because QPIP is a new program, parental benefits in the first year will be lower than usual because they can only begin after the maternity benefits are exhausted. Many births in this first year of the program will lead, eventually, to parental benefits which are started late in the year and extend into the next year or, for births which are late in the year, parental benefits may not even begin until the next year.

If one examines E.I. benefits for 2004/05, the last year that included Quebec, the national expenditures on maternity benefits were \$312M, for parental benefits the total was \$688M (\$316M for women, and \$372M for men). One can see that parental benefits were more than double maternity benefits.

In the first year of operation for QPIP, (see Table 12 below) maternity benefits were \$417M but parental benefits were much less at \$303M (\$257M for women, and \$46M for men). This



demonstrates that the first year of operation for QPIP, with a cost of \$830M, is not representative. The study below estimates the cost of QPIP on an on-going basis.

A second and likely minor factor is that awareness of this benefit may not be high during the first year of operation particularly for those who were often not eligible for maternity and parental benefits under the federal E.I. program (the self-employed and part-time employees).

For these reasons, the QPIP costs and number of beneficiaries in the first year are lower than would be expected on an on-going basis.

The following table presents the number of recipients for 2006. The data suggest a significant increase in the utilization of the benefit as compared to the benefits previous provided under E.I. Whereas new maternity beneficiaries under E.I. were 47,000 in 2004/05 (the last year of E.I. maternity benefits in Quebec), the number of female beneficiaries was almost 61,000 in the first year of QPIP. The number of births in Quebec in 2006 was about 9% higher than in 2004/05. Thus one might have expected 52,000, (47,000 plus 9%) new maternity benefits in Quebec on E.I. for 2006.

The number of new maternity beneficiaries under QPIP, for those who were salaried, increased by about 12%, (from about 52,000 to 58,000), over what might be expected otherwise. When those self-employed or mixed salaried/self-employed are added in, the increase in the number of maternity beneficiaries increases by an additional 7% to about 19% (from about 52,000 to 61,000).

**Table 7**

	E.I. in Que.		QPIP	
	2004/05	Inflated for 2006*	Salaried Only	Total
<b>Maternity</b>	47,460	51,731	58,061	61,290
<b>Paternity</b>	n/a			35,660
<b>Parental</b>	58,750			47,353 **

\* Inflated by 9% to account for increased births  
 \*\* Parental Benefits are low because it is the first year of operation (see text).  
 Source: various Monitoring and Assessment Reports by HRSDC  
 Source: [http://www.cgap.gouv.qc.ca/index\\_en.asp](http://www.cgap.gouv.qc.ca/index_en.asp)

The beneficiary data for the first year of operation are presented below. For the year 2006 there are about 61,000 new maternity claims and almost 36,000 paternity claims. Paternity benefits are not available under E.I.

**Table 8**

<b>QPIP benefit recipient according to type of benefit received January 1 to December 31, 2006</b>			
	<b>Mothers</b>	<b>Fathers</b>	<b>Total</b>
<b>Maternity</b>	61,290		61,290
<b>Paternity</b>		35,660	35,660
<b>Parental*</b>	39,186	8,167	47,353
<b>Adoption</b>	549	191	740
<b>Total<sup>1</sup></b>	<b>61,841</b>	<b>35,851</b>	<b>97,692</b>

<sup>1</sup> A recipient who receives both maternity (or paternity) and parental benefits is only counted once as part of the total.

\* because the program was in its first year parental benefits are lower than they would have been otherwise.

Source :[http://www.cgap.gouv.qc.ca/index\\_en.asp](http://www.cgap.gouv.qc.ca/index_en.asp)

The data in Table 9 indicates that for all benefit types, the self-employed (excluding those with income which is mixed salary and self-employment) are about 4% of claimants for both males and females.<sup>5</sup>

The “Mixed” category (in Table 9) includes those with some self-employment income and some salaried income. It is not clear from the data how many of these individuals would have been eligible for QPIP without their self-employment income. A special tabulation by the author indicated that the vast majority, more than 99%, of those in the “Mixed” category with \$2,000 of earnings (including

---

<sup>5</sup> -- 4.1% (2,566/61,841) of female claimants and 3.7% (1,331/35,851) of male claimants.

wages and self-employment) had \$2,000 of wages and would have been eligible for QPIP without their self-employment income<sup>6</sup>.

**Table 9**

<b>QPIP benefits recipient according to employment classification January 1 to December 31,2006</b>			
	<b>Mothers</b>	<b>Fathers</b>	<b>Total</b>
<b>Salaried</b>	58,061	33,719	91,780
<b>Self-Employed</b>	2,566	1,331	3,897
<b>Mixed</b>	1,214	801	2,015
<b>Total</b>	61,841	35,851	97,692
<i>Source:</i> <a href="http://www.cgap.gouv.qc.ca/index_en.asp">http://www.cgap.gouv.qc.ca/index_en.asp</a>			

It would have been useful to know the share that the self-employed are of maternity, paternity and parental benefits. QPIP does not publish that data.

#### **5.4 Cost of benefits – First Year of QPIP**

The data below demonstrate a significant increase in the average weekly benefit paid under QPIP as compared with E.I. This increase is not surprising since the maximum insurable earnings for QPIP was \$57,000 for 2006 and about \$40,000 under E.I. The average weekly benefit under QPIP was about 40% higher than under E.I. for males and 33% for females.



<sup>6</sup> Special tabulation by the author using the Statistics Canada, Survey of Labour Income Dynamics for 2002.

Table 10

<b>Average Weekly Benefits for Maternity and Parental Beneficiaries in Quebec</b>				
	<b>E.I. in Que. 2004/05</b>	<b>QPIP 2006</b>		
		<b>Salaried</b>	<b>Total</b>	
<b>Males</b>	\$ 365	\$ 513	\$ 508	
<b>Females</b>	\$ 309	\$ 412	\$ 408	

The Average for males under E.I. is estimated because it is not published.

Source: various Monitoring and Assessment Reports by HRSDC  
Source: [http://www.cgap.gouv.qc.ca/index\\_en.asp](http://www.cgap.gouv.qc.ca/index_en.asp)

The following data provide some insight into the value of benefits for the beneficiaries who are employees and/or self-employed. One notes:

- the number of self-employed recipients is about 2,500 females and 1,300 males (the number of males will likely increase with a full year of data).
- the average weekly benefits are highest for employees (\$412 for females and \$513 for males) and lowest for those purely self-employed (\$320 for females and \$391 for males).
- about 13,000 females or about 25% of females take the “Special Plan”. For males about 10,000, or again about 25%, take the “Special Plan”.

**Table 11**

QPIP benefit recipients, average weekly benefits based on type of plan, gender and worker category (aggregated data from January 1 to December 31, 2006)							
Gender	Worker category	Basic plan		Special plan		Total	
		Recipients	Average weekly benefit	Recipients	Average weekly benefit	Recipients	Average weekly benefit
Mothers	Salaried	46 649	\$410	11 412	\$418	58 061	\$412
	Self-employed	939	\$271	1 627	\$349	2 566	\$320
	Mixed	778	\$407	436	\$400	1 214	\$404
<b>Total mothers</b>		<b>48 366</b>	<b>\$408</b>	<b>13 475</b>	<b>\$409</b>	<b>61 841</b>	<b>\$408</b>
Fathers	Salaried	24 817	\$506	8 902	\$532	33 719	\$513
	Self-employed	890	\$363	441	\$445	1 331	\$391
	Mixed	563	\$482	238	\$523	801	\$494
<b>Total fathers</b>		<b>26 270</b>	<b>\$501</b>	<b>9 581</b>	<b>\$528</b>	<b>35 851</b>	<b>\$508</b>
<b>Total 2006</b>		<b>74 636</b>	<b>\$440</b>	<b>23 056</b>	<b>\$459</b>	<b>97 692</b>	<b>\$445</b>
<b>Events<sup>1</sup></b>			<b>49 682</b>		<b>17 191</b>		<b>66 873</b>

<sup>1</sup>An event may be a birth, adoption, or pregnancy interrupted after the 19<sup>th</sup> week.

One notes that the experience with E.I. has been that the cost of parental benefits far exceeds the cost of maternity benefits; about 70% of E.I. benefits for parents are delivered through parental benefits. The first year of QPIP is not representative of the expected on-going costs; this is demonstrated by the fact that only 42% of the benefits were parental benefits (which is much lower than the E.I. experience).

The author has estimated the likely on-going costs of QPIP based on the first year experience. Table 12 below presents the costs of E.I. benefits in Quebec for the most recent year (2004/05) at \$693M. The first year of QPIP was \$830M but the estimated annual cost after the first year is roughly

\$1,400M (rounded to the nearest \$100M). These cost estimates are in 2006 dollars and are based on the number of births in Quebec and Canada in 2005/06.

The estimate for the ongoing cost of maternity benefits is based on assuming the ratio of parental beneficiaries to maternal beneficiaries observed under E.I. will be observed for QPIP. The maternity benefits under QPIP were significantly higher than under the last year of E.I. It is assumed that the cost of parental benefits will increase by the same proportion.

**Table 12**

<b>Cost of QPIP - Actual for 2006 and On-Going</b>			
	<b>E.I. in Que. 2004/05</b>	<b>Actual Expenditures (\$ M)</b>	<b>Total On- Going Cost (\$ M)</b>
Maternity	\$ 218	\$420	\$450
Paternity	n/a	\$90	\$90
Parental - Mothers	\$ 475	\$260	\$730
Parental - Fathers		\$50	\$70
Adoption		\$10	\$10
<b>Total for year</b>	<b>\$693</b>	<b>\$830</b>	<b>\$1,350</b>
* Estimate based on full year experience			

**5.5 Premiums**

Contributors come from every sector of the Québec labour force. The total is estimated at some 300,000 employers, 3,300,000 salaried workers, and 500,000 self-employed workers. The fact that self-employed workers have access to benefits is one of the great new features of the Québec plan compared to the federal employment insurance plan.

The following premium rates apply for 2007:

- \$0.583 per every \$100 in eligible salary and wages for employers

- \$0.416 per every \$100 in eligible salary and wages for salaried employees
- \$0.737 per every \$100 in business income for self-employed workers

The maximum insurable income for 2007 is \$59,000.

Since January 1, 2006, under a Canada-Québec agreement, Québec employment insurance contributors receive a reduction in their employment insurance premiums because Québec now has its own maternity, paternity, parental, and adoption benefit plan. The federal government determines this rate of reduction. For 2007, it is maintained at 0.34% of insurable earnings for salaried workers. For employers, it is equivalent to 1.4 times the salaried workers' rate of reduction. As for self-employed workers, since they do not contribute to Employment Insurance, they cannot benefit from the premium reduction rate applicable to this plan.

QPIP officials report that premium revenue in 2006 was about \$1,100M (response to written request for information). About \$50M came from the self-employed. If indeed the on-going costs are in the order of \$1,400M then an increase in premiums or government contribution may be necessary.

## 5.6 Contributors

This table presents the impact of QPIP premiums on employers, salaried workers, and self-employed workers. One notes that the annual increases in premiums, QPIP net of E.I. reductions, for employees of up to \$100. The employer increase is up to near \$150. The self-employed pay up to \$420 more because they pay both employer and employee contributions and they have no 'savings' in reduced E.I. contributions because they do not currently contribute to E.I..

Table 13

<b>Impact of Québec Parental Insurance Plan (QPIP) premium on employees, employers and self-employed workers in 2006</b>			
<b>Wage level</b>	<b>Québec Parental Insurance Plan premium</b>	<b>Cut in Employment Insurance</b>	<b>Net Change in Annual Premiums</b>
<b>Employees</b>			
<b>Contribution Rate</b>	<b>0.42%</b>	<b>0.34%</b>	
\$20 000	\$83.20	\$68.00	\$15.20
\$40 000	\$166.40	\$132.60	\$33.80
\$59 000 or more	\$237.12	\$132.60	\$104.52
<b>Employers</b>			
<b>Contribution Rate</b>	<b>0.58%</b>	<b>0.48%</b>	
\$20 000	\$116.60	\$95.20	\$21.40
\$40 000	\$233.20	\$185.64	\$47.56
\$59 000 or more	\$332.31	\$185.64	\$146.67
<b>Self-employed workers<sup>1</sup></b>			
<b>Contribution Rate</b>	<b>0.74%</b>		
\$20 000	\$147.40	\$0	\$147.40
\$40 000	\$294.80	\$0	\$294.80
\$59 000 or more	\$420.09	\$0	\$420.09
<sup>1</sup> Self-employed workers do not pay Employment Insurance premiums but pay premiums under the Québec Parental Insurance Plan.			

## 6 Including the Self-Employed under E.I.

This section of the report considers the option of extending E.I. to the self-employed. E.I. benefit rates and duration would remain unchanged.

Experience would indicate that including the self-employed for maternity and parental benefits under an otherwise unchanged E.I. would increase the number of beneficiaries by about 4%. Because of the lower average incomes of the self-employed, including the self-employed under E.I. would likely increase the cost of benefits just over 3%.

Currently the cost of maternity and parental benefits under E.I. for Canada is about \$ 3B. The addition of the self-employed would be expected to increase the number of maternity and parental beneficiaries



by about 25,000 annually. One could speculate that extending E.I. maternity and parental benefits to the self-employed, based on the QPIP experience, would increase benefits by roughly \$100M.

In order to fund such benefits for the self-employed, one would expect some form of contribution to the E.I. fund for earnings that are not normally insured under E.I.. These could be collected at income tax time, in a fashion similar to that used for the Canada Pension Plan and in fact QPIP.

## **7 Projected Impact of QPIP at the National Level**

There are some challenges to estimating the amount of additional benefit that would be paid, over the E.I. benefit, if the Quebec program were extended to the rest of Canada. First, a complete analysis of the annual cost of QPIP on an ongoing basis is not yet available. The on-going costs need to be estimated. As well, Quebec has somewhat lower average incomes than other provinces, which might affect the take-up of expanded maternity benefits (high income parents may be less willing to accept the drop in income that maternity/parental benefits represents). As well, the take-up of parental benefits for males under E.I. was higher in Quebec than in other provinces. This has been also replicated with QPIP; the take-up of paternity benefits and parental benefits by males appeared relatively high compared to the E.I. experience (but this is based on only the first year experience with the restricted utilization of parental benefits).

The impact of a QPIP program at the national level for 2006 was estimated using the number of births in Quebec and Canada for 2006. First, the QPIP experience in Quebec for maternity benefits relative to births was used. Then, the analysis used the expected number of parental benefits one might expect based on the E.I. ratio of parental benefits, for males and females, to maternity benefits.

The table below indicates the estimated number of maternity and parental beneficiaries that might have been expected in Canada using QPIP eligibility criteria.

**Table 14**

<b>Number of Estimated Beneficiaries, 2006</b>			
	<b>Canada - with QPIP</b>	<b>Canada Under E.I. (Estimated)</b>	<b>Increase</b>
Maternity	258,000	217,000	41,000
Paternity	89,000	n/a	
Parental - Mothers	247,000	209,000	38,000
Parental - Fathers	46,000	36,000	10,000

These estimates of the number of beneficiaries were then multiplied by the average number of weeks of benefits and the average weekly benefit, for Quebec and Canada to obtain estimates of the benefits that would be paid in Canada using a QPIP like program.

In the most recent year under E.I., maternity and parental benefits were about \$3,100M for Canada of which about \$ 700M were for Quebec. The cost of the QPIP program for the first year of operation 2006 was just over \$ 800M but that cost is expected to be more like \$1,400M in 2007 (rounded to the nearest \$100M).

Using this as a basis for projections it is estimated that operating a program like QPIP at the national level would cost about \$ 5,700M. The increase in cost to deliver this program to the Rest of Canada is about \$ 2,600M.

**Table 15**

<b>Cost of Extending QPIP style Benefits to the Rest of Canada (using 2007) - \$ Millions (rounded to the nearest \$100M)</b>			
	<b>Quebec</b>	<b>Rest of Canada</b>	<b>Canada</b>
E.I. Style Program	\$ 700	\$ 2,400	\$ 3,100
QPIP - on-going	\$ 1,400	\$ 4,300	\$ 5,700
Increase in Cost	\$ 700	\$ 1,900	\$ 2,600

It is also worth noting that increased benefits paid from such a national program would be subject to tax. So the increase of \$2,600M would be offset somewhat by income tax revenue at the federal and provincial level.

It should be understood that these estimates are not precise as they rely on information for the first year of QPIP which is incomplete. Also, assumptions are required about the take-up rate of “QPIP like” benefits and benefit rates at the Canada level. These are “rough” estimates that reflect the “order of magnitude” of the beneficiary numbers and costs.

## **8 Improvements in Design**

Many new mothers and fathers would prefer to return to employment part-time. Yet clawbacks make it very difficult for parents receiving these benefits to supplement their benefits by taking a casual or part-time job.

Any earnings while on maternity benefits for E.I. or for QPIP are deducted dollar-for-dollar. While on parental or paternity benefits earnings up to 25% of the benefit are ignored; earnings over this amount are deducted dollar-for-dollar.

This is contrasted with the treatment of employer top-ups. For parents with this employer top-up, their E.I. or QPIP benefit is supplemented by their employers. These receipts from employers are not clawed back.

Since many self-employed parents will want to maintain some connection to their employment, these clawbacks are highly problematic. They effectively eliminate any financial reward from working a few hours per week.

Some flexibility in the design of benefits would be desirable.

## **9 Conclusions**

This report has estimated the implications of providing publicly funded maternity and parental benefits to self-employed Canadians. The research has covered the impact of extending these benefits

to the self-employed under E.I. and also under a national program structured like the QPIP program.

The findings are as follows:

- Roughly 5% of Canadian employed women of child-bearing age are self-employed; 6% of employed men aged 15-44 are self-employed
- Extending existing Employment Insurance (E.I.) maternity and parental benefits to the self-employed would increase the number of beneficiaries by about 4% or about 25,000. The increase in benefit expenditures would be about 3% or \$100M.
- QPIP has increased the reach of maternity and parental benefits in Quebec by covering more parents, including the self-employed, who would not have been eligible for E.I. and providing higher benefits.
- The introduction of QPIP in Quebec increased maternity and parental benefits from roughly \$700M under E.I. to about \$830M for 2006 the first year of operation. The on-going costs in Quebec are expected to be more like \$1,400M (rounded to the nearest \$100M).
- QPIP plan at the national level might increase the number of beneficiaries for maternity and parental benefits by 4% and the dollar value of benefits by 3%. The increase in maternity and parental benefits for the rest of Canada with a “QPIP like” plan is expected to be about \$2,600M.

There remains a need for greater need for flexibility in how new parents can receive maternity and parental benefits and maintain some attachment to the labour force. The QPIP introduced some choice in the duration and level of benefit. This is a useful first step but further flexibility, which might allow a return to the labour force on a part-time basis, while keeping some benefits, would be helpful.

## 10 Glossary

**Insured Employment:** employment governed by the E.I. legislation. Generally this excludes self-employment. It can also exclude some employees in a family operated business or private corporation.

**Labour Force:** those in the labour force are employed or unemployed (not working, available for work but who have sought employment in the last 4 weeks, or have a job beginning in a few weeks).

**Not in the Labour Force:** population not in the labour force they must be not employed and also not seeking employment. Some of these individuals would be discouraged workers; not working who would accept available employment but have given up looking.

**Self-employed:** individuals in the labour force who are not employees. The self-employed include owners of private corporations, with or without employees and sole-proprietorships with or without employees.

**QPIP:** Quebec Parental Income Plan; the Quebec program established in 2006 to deliver benefits maternity and parental benefits.

**E.I.:** Employment Insurance.

**Employer Top-Ups:** a benefit funded by the employer which enhances, “tops-up”, the maternity and/or parental benefit provided under E.I.

## 11 Bibliography

Phipps; Working for Working Parents; The Evolution of Maternity and Parental Benefits in Canada; Choices; IRPP; May 2006; Vol. 12, Number 2.

Shillington, Richard; Access to Maternity Benefits June 2002; on the web-site [www.shillington.ca](http://www.shillington.ca)

Shillington, Richard; Analysis of Utilization of Maternity and Parental Leave Benefits for Saskatchewan residents (not including First Nations on reserves); Presented at the conference Work-Family Balance and Work Place Shortages; Saskatoon; 2007

HRSDC; Various Assessment and Monitoring Reports for E.I.; [www.hrsdc.gc.ca/en/employment/employment\\_measures/EBSM/index.shtml](http://www.hrsdc.gc.ca/en/employment/employment_measures/EBSM/index.shtml)

QPIP; Statistical Information; [http://www.cgap.gouv.qc.ca/index\\_en.asp](http://www.cgap.gouv.qc.ca/index_en.asp)