

Federal Budget 2017

March 2017

The federal government's 2017 Building a Strong Middle Class budget (Budget 2017) was tabled on March 22, 2017. Long on social policy planning, but short on specific action items, the budget contained few measures of interest to benefit plan sponsors. A 2016 pledge to reform the Employment Insurance (EI) special benefits program reemerged with a move toward expanded maternity and parental benefit entitlements and the introduction of a new benefit to support the care of adult family members suffering from critical illness or injury. This modified EI special benefit structure will present new challenges for employers who are striving to develop family friendly policies for their employees that are in line with business continuity and cost control concerns.

Employment insurance

New EI caregiving benefit of up to 15 weeks

Currently, EI benefits are available to eligible caregivers in cases where a family member is gravely ill and at significant risk of death, or where a child is critically ill or injured. Budget 2017 proposes to create a new EI caregiving benefit of up to 15 weeks. The new benefit will cover a broader range of situations where individuals are providing care to an adult family member who requires significant support in order to recover from a critical illness or injury. Parents of critically ill children will continue to have access to up to 35 weeks of benefits, with additional flexibility to share these benefits with more family members.

More flexibility for families maternity and parental benefits

Budget 2017 proposes to allow parents to choose to receive EI parental benefits over an extended period of up to 18 months at a lower benefit rate of 33 per cent of weekly insurable earnings. EI parental benefits will continue to be available at the existing benefit rate of 55 per cent of weekly insurable earnings for 35 weeks over a period of up to 12 months.

Budget 2017 also proposes to allow women to claim EI maternity benefits up to 12 weeks before their due date—expanded from the current standard of eight weeks—if they so choose.

While the EI program provides benefits during a leave, it is the relevant employment standards legislation that provides job protection. It's helpful to employees to have greater access to EI benefits, but without job protection, it may be impractical for many to take advantage of the change. Budget 2017 makes amendments to the Canada Labour Code to create an alignment for federally protected workers. It will be

interesting to see if similar provincial legislative changes will be made to provide the same protections to provincially regulated workers.

No immediate action is required for plan sponsors as details remain unknown. However, once revised program components are made clear, plan sponsors may wish to review policies and programs to determine whether amendments are required as a result of the extension of EI benefits for maternity and parental leave. Employers could consider policy review in the following areas:

- Supplement unemployment benefit (SUB) top-up plans
- Absence management policies
- Extension of health and other benefits during maternity and parental leave
- Retirement arrangements for continuation of service accrual, employer contributions, employee contributions, etc.
- Vacation policies for continuation of service during maternity and parental leave
- Any other service-related benefits or compensation

Medical expense tax credit—treatment of fertility-related expenses clarified

Budget 2017 proposes to clarify the application of the Medical Expense Tax Credit so that individuals who require medical intervention in order to conceive a child are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility. This measure will apply to the 2017 and subsequent taxation years. This proposal expands coverage to include single individuals and same-sex couples.

As covered products and services through health spending accounts (HSAs) are based on eligibility under the Medical Expense Tax Credit, this clarification would correspondingly apply to HSAs.

Flexible work arrangements for federally regulated employers

Budget 2017 proposes amendments to the Canada Labour Code, to give federally regulated employees the right to request more flexible work arrangements such as flexible start and finish times and the ability to work from home. Proposed changes include new unpaid leaves for family responsibilities, to participate in traditional Indigenous practices, and to seek care if they are victims of family violence.