

THE 2018 FEDERAL BUDGET: WHAT EMPLOYERS SHOULD KNOW

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On February 27, 2018, the Government of Canada released the 2018 Federal Budget.^[1] Among its action items are several notable employment law changes that will impact federally-regulated employers, including a proposal for new pay equity legislation and a plan for shared paid parental leave.

The 2018 Budget also proposes enhanced Canada Pension Plan (CPP) and Employment Insurance (EI) contributions, both of which could impact labour markets across Canadian jurisdictions.

Notable 2018 Federal Budget measures include the following:

EI Parental Sharing Benefit

The most notable change for employers in this year's Budget is the proposed EI Parental Sharing Benefit. Previously, new parents were entitled to a collective 35 weeks of EI benefits at 55% (or 61 weeks at 33%) over 12 months. The new benefit will be available to two-parent families, including adoptive parents, following the arrival of their child. The benefit will increase the collective entitlement to 40 weeks between both parents, provided each parent takes a minimum five-week leave. In the case of a 61-week leave, the extension provides up to 69 weeks of leave, provided each parent takes a minimum eight-week leave.

The extensions are not available in cases where only one parent takes the minimum required leave – the new benefit will be – a “use it or lose it” entitlement. The federal government has stated that the new benefit is aimed at encouraging more equitable leave and hiring practices. If passed, the Government will amend the Employment Insurance Act and the Canada Labour Code accordingly to implement the benefit.

New pay equity legislation and transparency measures

In addition to encouraging two-parent parental leave, the federal government is proposing two measures which it hopes will enhance pay equity in federally regulated sectors.

Federal pay equity legislation

First, the Government will put forward new pay equity legislation which is modeled on existing legislation in Ontario and Quebec. The proposed legislation will apply to employers with 10 or more employees, and those in the Federal Contractors Program on contract of \$1 million or more. The legislation will seek to include seasonal,

part-time and temporary positions.

The Government announced that the proposed legislation will also attempt to streamline a pay equity process for employers with fewer than 100 employees and will include specific timelines for implementation and mandatory maintenance reviews. Any prior inconsistent legislation, such as the *Public Sector Equitable Compensation Act*, will be repealed.

Stakeholders can anticipate an opportunity to comment on the proposed legislation during a consultation process, which is likely to begin in the Summer or Fall of 2018. McMillan LLP's employment and labour relations group will keep you apprised of comment opportunities as they arise.

Pay transparency

Second, the Government proposes to discourage wage gaps and other inequitable practices by publicizing pay practices in federally regulated sectors. Existing information filed under the Employment Equity Act will become available online, highlighting employers who adopt fair practices.

CPP and EI contributions

Through agreements with the provinces, the Government plans to increase the CPP retirement benefit by 50% over time (beginning in January 2019), indexed to the cost of living. Other proposed changes include: increasing the death benefit to its maximum (\$2500 for eligible contributors), providing a top-up disability benefit to eligible pensioners under age 65, replacing the reduced survivor's pension for widow(er)s under age 45 with a full survivor's pension, and increasing retirement benefits by crediting retirees for time away from the workforce due to disability or child care. Importantly, the Government has said that it will implement these changes without increasing contribution rates.

Finally, the Government plans to extend the current EI Working While On Claim pilot project rules to claimants receiving maternity or sickness benefits. The "default rule", which will be reflected in the amended Employment Insurance Act, enables claimants to keep 50 cents for every dollar they earn to a maximum of 90% of their weekly insurable earnings.

McMillan's Employment and Labour Relations group will keep you informed of important changes to federal legislation made to implement key Budget 2018 measures.

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[i] Government of Canada, "2018 Budget Plan" (27 February 2018), online: <<https://www.budget.gc.ca/2018/docs/plan/toc-tdm-en.html>>.

A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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