

Unemployment benefit after childcare leave (2/24/17)

Many new mothers leave their jobs at the end of their childcare leave for a variety of reasons. This article explores the rules governing unemployment benefits awarded immediately after childcare leave and shares our practical experience of how the National Social Insurance (NSI) Agency deals with a new mother that has been employed for some time.

Benefit after childcare leave

Before the NSI legislation was amended, a new mother who left her job for any reason right after her childcare leave was not eligible for a reasonable unemployment benefit because no NSI contributions had been paid for her during her childcare leave. Under the amended legislation the government pays NSI contributions for the new mother during the period she is taking care of her child up to 18 months of age and receiving childcare benefit or parent benefit, in order to provide her with unemployment cover as well.

In general, unemployment benefit is calculated (1) according to the amount of pay subject to NSI contributions in the last 12 months, (2) excluding the last two months before unemployed status was obtained, and (3) excluding the months with the lowest and the highest pay.

In the case of a new mother, however, the unemployment benefit calculation is based on her pay details before she went on her childcare leave.¹ In this case the last two months and the months with the lowest and the highest pay are excluded from the calculation.

Also, if the new mother receives a bonus or any other extra payment during her childcare leave in respect of an earlier period, those payments can also be included as long as they are favourable.²

Although this provision of law aims to safeguard new parents against cases where they are left without any means of subsistence, the agency consultants tend to issue diametrically opposed views. In our opinion, this demonstrates a lack of uniform treatment in this area.

For example, if a new mother is employed for a week right after her childcare leave (and receives a small pay), the agency takes the view that this rule no longer applies because she has resumed employment. In that case her unemployment benefit calculation would only be based on that last pay. The agency offices are all agreed on this, but they differ as to how long the new mother is allowed to work right after her childcare leave.

The agency consultants also take the view that this rule does not apply to a new mother who receives a bonus during her childcare leave. In the agency's opinion, such a bonus interrupts the period (when income was received for the last time) and the benefit should be calculated from the date she received the bonus. In other words, if she received a bonus for her prior-period performance, say, in the fifth month of her childcare leave, then contributions for the 12-month period will be counted from the fifth month, leaving the pre-bonus months with a zero pay for NSI purposes.

We can hardly agree with this approach taken by the agency consultants, as it defeats the whole object of

the exercise. It is currently known that this approach causes many mothers to terminate their employment voluntarily at the slightest sign of insecurity for fear of losing a reasonable unemployment benefit. Such advice certainly discourages new parents from returning to the labour market and prompts them to immediately switch from one benefit to another.

We hope the agency will reach a consensus and assess the situation on its merits.

¹ Section 8(8) of the Unemployment Insurance Act

² Section 8(9) of the Unemployment Insurance Act