

CANADA 1999

1. Overview of the system

The system of benefits and incentives in Canada comprises a number of programs, including benefit programs and tax assistance. Some are the responsibility of the federal (national) government, while others are administered by provincial and territorial governments. These programs include unemployment benefits, social assistance (or welfare), as well as a number of federal and provincial benefits and credits delivered through the tax system (related to children, shelter, supplements for working income, etc). Due to the breadth and variety of programs at the provincial level, the Province of Ontario has been chosen where examples of provincial programs are required (Ontario was used as an example in previous editions of this report).

On the benefits side, Employment Insurance (as it is called in Canada) provides temporary financial help to unemployed Canadians while they look for work or upgrade their skills, while they are pregnant or caring for a new-born or adopted child, or while they are sick. Benefits are earnings-related and are subject to a maximum amount. Social assistance can be paid as an earnings top-up or as an income source of last resort; it includes a shelter allowance to cover housing costs (see section 4 for more information). The Canada Child Tax Benefit is a federal income-tested benefit for families with children (see section 6). The Ontario Child Care Supplement for Working Families provides an income-tested supplement for families with earned income (see section 6).

With respect to taxation, the federal tax system in Canada is a progressive one meaning that tax rates rise as taxable income rises. It also includes numerous deductions, exemptions, and tax credits (both refundable and non-refundable) which serve to reduce taxes payable. See section 10 for further details. The 1999 APW earnings level is CAD 34 689.

2. Employment insurance

2.1 *Conditions for receipt*

All persons in “insurable employment” are eligible (self-employed, with the exception of fishers, are excluded from coverage).

2.1.1 *Employment conditions*

Entrance requirements vary with the local unemployment rate. A minimum of 420 hours of work in the preceding 52-week period is required in areas of high unemployment (over 13%) and 700 hours in areas of low unemployment (less than 6%). New entrants or re-entrants to the labour force must have worked a minimum of 910 hours.

Effective October 1, 2000, re-entrants who have received a minimum of one week of maternity or parental benefits in the four years preceding the current two year “look back” period require between 420 and 700 hours to qualify for regular benefits like all other claimants.

A flat entrance requirement of 600 hours of insurable employment in the preceding 52 week period applies for all special benefits, which include maternity, parental and sickness benefits, i.e. the requirement does not vary according to local unemployment rates.

2.1.2 Contribution conditions

EI is financed by employer and employee premiums. Contributions to the program begin with the first CAD 1 earned up to a maximum insurable earnings of CAD 39 000 per year. The employee premium rate for 2001 is CAD 2.25 per CAD 100 of insurable earnings. Employers pay 1.4 times the employee rate, or CAD 3.15. Employees earning less than CAD 2 000 a year receive a premium rebate.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

The replacement rate is 55 per cent of average weekly earnings. A claimant’s average weekly earnings is calculated by taking the total earnings within the preceding 26 week period and dividing this amount by the number of weeks worked or the divisor, whichever is higher. The minimum divisor ranges between 14 and 22 weeks depending on the regional unemployment rate. The maximum weekly benefit rate is CAD 413 per week based on the maximum weekly insurable earnings of CAD 750.

Claimants from low-income families with children are eligible for the Family Supplement. Low-income is defined as family net income under CAD 25 921. Recipients can receive up to an 80% replacement rate depending on their family income and the number and ages of their children. Claimants with family income below CAD 20 921 receive the full supplement. At higher levels of family income, benefits are reduced gradually so that no supplement is paid when family net income is above CAD 25 921.

2.2.2 Income and earnings disregards

Claimants receiving regular benefits or parental benefits can earn up to 25% of their weekly benefits or CAD 50, whichever is higher. Earnings above 25% are deducted dollar for dollar from weekly benefits.

2.3 Tax treatment of benefit

EI benefits pay income taxes, but they are not subject to SS contributions. EI claimants whose annual net income (including EI benefits) exceeds a certain threshold have to repay part of their benefits. Effective for the 2000 taxation year, if a claimant’s net income exceeds CAD 48 750; the repayment rate is 30% of total regular benefits. The maximum repayment is limited to 30% of a person’s net income in excess of CAD 48 750. First time claimants, as well as claimants of maternity, parental or sickness benefits are exempt from this repayment provision.

2.4 *Benefit duration*

Benefits are payable for a maximum period of 45 weeks, starting after a two-week waiting period. The weeks of entitlement of a claimant is a function of the number of hours worked in the qualifying period and the local unemployment rate. Entitlement varies from 14 weeks to 45 weeks.

In general, an additional one-percentage point increase in the local unemployment rate provides an additional entitlement of two weeks. An additional 70 hours of work adds one week of entitlement to claimant with short employment duration (less than 1 400 hours) of work in the qualifying period and two weeks of entitlement to claimants with long employment duration (over 1 400 hours).

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

None.

2.5.2 *Older workers*

None.

3. **Unemployment assistance**

Employment Insurance provides a number of Employment Benefits and Support Measures (EBSMs), funded under Part II of the EI Act, which help unemployed workers get back to work as quickly as possible. These include:

- Long-term employment benefits available only to unemployed EI clients such as Skills Development benefits, Self-employment Assistance, Targeted Wage Subsidies, Skills Development and Job Creation Partnerships; and
- Short-term interventions such as Employment Assistance Services which includes Counselling and Group Services available to all Canadians.

4. **Social Assistance**

Social assistance (or welfare) is administered by the provinces and territories, which set their own payment rates. Ontario welfare rates are used in this document; they are about 10%¹ or more higher than the average of the maximum amounts payable in other Canadian provinces.

The Canadian welfare system has undergone some fundamental changes since 1996. As noted in the previous edition of this report, in almost every province and territory, more stringent eligibility criteria

¹ The analysis that resulted in this 10% figure did not include the territories because of their high social assistance rates.

and administrative controls (fraud prevention and detection) became the norm, and benefit reductions affecting part or all of the caseload were not uncommon.

4.1 *Conditions for receipt*

Social assistance is a “needs-tested” benefit. If the assets of an applicant’s household are within allowable limits, non-exempted income is applied to the cost of the basic needs. If there is a budgetary deficit, the household qualifies for social assistance. Where there is a budgetary surplus that is insufficient to cover the cost of a special need that is approved by welfare authorities, social assistance may be granted to cover the special need only. Each jurisdiction defines assets, income and needs in its social assistance legislation.

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

The total payment amount consists of a basic allowance, and a shelter allowance to assist in the payment of (total actual) housing costs. Shelter allowances are set by provincial governments to reflect actual costs within their jurisdictions. In New Brunswick and Quebec, social assistance benefits are paid as a “global” benefit, and clients are responsible for apportioning the allowance to shelter and other needs as they see fit. In Ontario, the social assistance program is called Ontario Works.

**Monthly Ontario Works rates, in CAD
(in effect since fall 1995)²
(basic allowance + maximum shelter allowance)**

Family structure	Single	Couple
No children	520 (195+325)	901 (390+511)
One child		
Aged under 13	957 (446+511)	1,030 (476+554)
Aged 13 or over	997 (486+511)	1,066 (512+554)
Two children		
Both under 13	1,086 (532+554)	1,178 (576+602)
One under 13, one 13 or over	1,126 (572+554)	1,214 (612+602)
Both 13 or over	1,162 (608+554)	1,250 (648+602)

4.2.2 *Income and earnings disregards*

The exempt amounts depend on the family size. The monthly amounts² are shown below:

Number of children	Single (CAD)	Couple (CAD)
0	143	249
1	275	295

² No change since previous report.

2	321	346
3	372	397
4	423	442
5	468	480
6+	+38	+38

The above earnings disregard table applies only in Ontario, and it does not take effect until a client household has been in receipt of social assistance for three full months. The withdrawal (i.e., reduction or offset) rate that applies to net earned income (net of tax and all other deductions required by law or by the terms of employment) exceeding these amounts is 75 per cent. The 75 percent offset increases with each consecutive year on assistance until it reaches 100 percent for employable recipients.

4.3 Tax treatment of benefit

The benefit is not taxable, but is counted as income in calculating entitlement to federal and provincial child tax benefits and sales tax credits (see sections 6 and 10).

4.4 Benefit Duration

Benefits are paid as long as there is a need, i.e., household assets are within allowable limits and non-exempt income is insufficient to cover basic needs or approved special needs, and provided that all other administrative requirements are met (e.g., job search for employable clients).

4.5 Treatment of particular groups

4.5.1 Young persons

As a general rule, anyone who has not reached the age of majority (i.e., 16 and/or 17 year olds) is not allowed to apply for social assistance in his or her own right except in cases of family breakdown or abuse. Young persons receiving assistance in those circumstances are required, as a condition of ongoing eligibility, to participate fully in any academic or training program that could improve their employability. Some provinces (e.g., Quebec, British Columbia) require contributions towards the cost of basic needs of youth applying for social assistance in his/her own right by the parent(s) of that youth, where it is feasible to do so.

6. Family benefits

Federal level

At the federal level, child-related family benefits are paid through a refundable child tax credit known as the Canada Child Tax Benefit (CCTB) that includes the basic benefit and the National Child Benefit Supplement (NCBS). Benefits are paid monthly.

Benefit entitlements are calculated for the period July to June on the basis of the combined net income amounts reported by both spouses on the previous year's tax return. January to June 1999 benefits were calculated on incomes reported for the 1997 tax year and July to December 1999 benefits were calculated on incomes reported for the 1998 tax year.

The CCTB provides a standard basic benefit of CAD 1 020 (CAD 1 104 July 2000) per child under age 18 plus CAD 213 (CAD 219 July 2000) supplement for each child under 7 where no child care expenses are deducted and a CAD 75 (CAD 77 July 2000) supplement for the 3rd child and each additional child. The supplement of CAD 213 is reduced by 25% of child-care expenses claimed. The basic benefit is reduced by 5 per cent of family net income in excess of CAD 25 921 (CAD 30 004 July 2000) for families with two or more children and 2.5 per cent for families with one child. In addition, a national child benefit supplement (NCB) is provided to low-income families with children. The maximum NCB is CAD 785 (CAD 977 July 2000) for one child, plus CAD 585 (CAD 771 July 2000) for a second child, plus CAD 510 (CAD 694 July 2000) for the third and each additional child. The NCB begins to be phased out based on family net income in excess of CAD 20 921 (CAD 21 214 July 2000). Complete phase out occurs at CAD 27,750 (CAD 30, 004 in 2000). The reduction rates are 11.5 (11.1 July 2000) per cent for families with one child, 20.1 (19.9 July 2000) per cent for families with two children and 27.5 (27.8 July 2000) per cent for larger families.

The National Child Benefit, a joint initiative of the federal, provincial, and territorial governments, provides children's income support payments outside the social assistance system. The NCBS is the federal contribution to the NCB initiative. As the federal benefit increases, most provinces and territories have adjusted the income support they provide to children through social assistance programs while making sure total benefits to those families remain at least as high as they were before the NCB was introduced. In Ontario, social assistance rates per se are not reduced, but the NCBS is considered as unearned income when benefits are calculated.

Provincial/territorial level

When the National Child Benefit initiative was launched in the summer of 1998, the federal government enhanced the Canada Child Tax Benefit, and provinces and territories started introducing new measures to help low-income working families. The new measures were funded by: adjustments to the social assistance entitlements of families with children; new provincial/ territorial investments; or a combination of both. Provincial/territorial initiatives to date include additional child-related benefits, earned income supplements, child day care, early childhood services and children-at-risk services and supplementary health benefits.

Ontario created the Ontario Child Care Supplement for Working Families (OCCS). See Section 7, below.

7. Child-care benefits³

Federal level

The federal personal income tax system provides a child-care expense deduction for families with children. The child-care expenses deduction is calculated on the basis of earned income. Child-care expenses claimed as a deduction cannot exceed two thirds (2/3) of the earnings of the spouse with the lower earned income (see section 10.1.1 for more information). The deduction reduces taxes paid to both levels of government (federal and provincial/territorial).

As well, the Canada Child Tax Benefit includes a supplement of CAD 213 per child under age seven that is provided to families not claiming child-care expenses as a tax deduction. For families

3. Note that, for the purpose of this study, we assume only children aged four years or less are in child care.

claiming the child-care expenses deduction, the above supplement is reduced by 25% of the child-care expenses claimed as a deduction in the related tax year (see section 6).

Provincial level

At the provincial level, and as mentioned in section 6, Ontario provides the Ontario Child Care Supplement for Working Families (OCCS), which is based on earnings in excess of CAD 5,000.

In January 1999, the OCCS program provided a maximum annual benefit of CAD 1,020 for each child under age 7. Families were eligible for the supplement if they had work earnings exceeding CAD 5,000. For families with incomes above CAD 20,000, the supplement was reduced. OCCS benefits are calculated on the same income basis as the CCTB described above. The program was enriched in July 1999.

Ontario Child Care Supplement for Working Families (OCCS)		
	January 1999 (Annual basis)	July 1999 (Annual basis)
The benefit is calculated as a % of earnings in excess of CAD 5,000:		
• % when 1 child < 7 is present	20 %	21 %
• % when 2 children < 7 are present	40 %	42 %
• % when 3 or more children < 7 are present	60 %	63 %
Maximum per child < 7	CAD 1,020	CAD 1,100
Level of family net income (for tax purposes) where benefit starts to be reduced.	CAD 20,000	CAD 20,000
Reduction rate	8 %	8 %

Households receiving Social Assistance benefits in Ontario with children may also claim child-care expenses up to limits specified in the regulations (CAD 390 per month for children under age 6 or children above this age with disabilities; CAD 346 per month for other children aged 6 to 12 years inclusive).

In addition, where child-care spaces are available, provincial governments may cover all or part of the cost of child day care for social assistance clients who are involved in training, upgrading or employability programs.

8. Employment-conditional benefits

In July 1997, the Working Income Supplement (WIS)⁴ of the Child Tax Benefit was enriched, and restructured from a per-family to a per-child basis. In July 1998, the WIS was replaced by the NCB Supplement that provided the same maximum benefit as the WIS but was extended to all low-income families, regardless of source of income (i.e., not only those with earnings).

4. The WIS to the CTB provided benefits of up to \$500 per year per family to help offset some of the additional costs that lower-income families with children incurred when working.

All Canadian provinces pay special work-related allowances to social assistance clients who are joining or rejoining the labour force. These range from coverage for special work-related expenses such as clothing, transportation and, in some jurisdictions, day care, to an actual bonus for participation in work activities. In Ontario, for example, start-up benefits of up to CAD 253 once in every 12-month period for actual reasonable expenses are available for a social assistance beneficiary (and a spouse or same-sex partner) who begins employment or a training program, changes employment or begins an employment assistance activity.

9. Lone-parent benefits

The personal income tax system provides an equivalent-to-spouse amount for single, divorced, separated, or widowed taxfilers who support a dependant. Lone parents, therefore, can reduce their tax liabilities when claiming this amount for a dependent child (see section 10).

The refundable Goods and Services Tax Credit (see section 10 for details) also contains specific provisions for lone parents. In addition to an adult credit (of up to CAD 199) that lone parents can claim for themselves, they can also claim this amount for the dependent child claimed as equivalent-to spouse. There is also a GST credit supplement (of up to CAD 105) for low-income single parents (as well as single individuals). The eligibility provisions of the GST credit supplement changed part way through 1999. From January to June 1999, the amount of the GST credit supplement was phased-in at a rate of 2% of net family income over CAD 6,456, until it reached the maximum. Effective July 1, 1999, the phase-in of the GSTC supplement for single-parents was eliminated, and provided them with the full value of the supplement as part of their core GSTC (see section 10.1.4.1).⁵

10. Tax system

The federal personal income tax system considers personal income in two ways: it taxes personal income on an individual basis (i.e., individuals pay income tax on their own income), whereas it pays benefits to people based on family income (i.e., family benefits are calculated based on the income of both spouses). If one spouse in a couple earns less than CAD 6,290 per year, that person does not need to file a tax return and both incomes can be reported on the return of the main earner. The latter then receives a tax credit in respect of the dependent spouse.

10.1 Income tax rate schedule

The following sections follow the 1999 federal income tax form logic and refer to families reporting earnings and claiming basic deductions and regular refundable and non-refundable credits. (For further information, see 1999 tax return for an individual living in Ontario, at: <http://www.cra-adrc.gc.ca/E/pbg/tf/5006rep/README.html>)

10.1.1 Definition of income and allowances

Total income includes earnings, pensions, investment income, rental income, self-employment income, Employment Insurance benefits, social assistance, as well as other types of income. (See tax return referred to above for complete details.) Social assistance payments must be reported for the calculation of

⁵ The phase-in remained in place for single individuals without children.

net income but are deducted afterwards to obtain taxable income (i.e., social assistance payments are not taxed).

Deductions consist mainly of work-related amounts that are subtracted from total income to arrive at *net income*:

- A child-care expenses allowance is available to families. The deduction is limited to the least of child-care expenses, two-thirds of the taxpayer's earned income⁶, and CAD 7,000 per child under 7 years of age, plus CAD 4,000 for each child aged 7 to 16. ⁷(Note that this footnote makes reference to CAD 213 - the 1999 rate - not the 2000 rate you used in the text.)

Taxable income is calculated by excluding social assistance, worker's compensation and federal supplements for senior citizens from *net income*. *Tax payable on taxable income* is calculated by applying the basic federal tax schedule on taxable income (see section 10.1.3).

Basic federal tax is equal to tax (calculated according to the table in section 10.1.3.1.1, below) on taxable income, less the non-refundable credits (section 10.1.2), or zero if this result is negative, less the refundable tax credits(section 10.1.4).

10.1.2 Non-refundable tax credits

Basic relief: as of July 1, 1999, all taxpayers qualify for a personal tax credit of CAD 1212.27.

Marital status relief: A taxpayer supporting a spouse receives a tax credit of CAD 972, which is reduced by 17 cents for each dollar of income accruing to the spouse in excess of CAD 572. The same amount is available to heads of single-parent families with respect to one child.

Social Security contributions credit: 17% of total SS contributions.

10.1.3 Tax schedule and surtax

10.1.3.1 Federal income tax rates

Federal income tax payable is equal to Basic Federal Tax plus the Federal Surtax.

10.1.3.1.1 Basic federal income tax rates

Taxable Income (CAD)	Rate (%)	Tax (CAD)
On the first 29,590	17	5,030 at 29,590
On the next 29,590	26	12,724 at 59,180

⁶ For couples, the 2/3 limit is applied to the taxpayer with the lower earnings. The deduction is claimed by the spouse with the lower net income (i.e., before subtracting the child-care expenses deduction). The taxfiler has to provide child-care receipts, if these are requested by the Canada Customs and Revenue Agency.

⁷ The Canada Child Tax Benefit Supplement available for children under age 7 (CAD 213 per child) is reduced by 25% of child-care expenses claimed for all children (see section 6).

Excess of	59,180	29	12,724 + 29%
			on the excess of 59,180

10.1.3.1.2 Federal individual surtax

- As of July 1999, the general surtax of 3%, and associated general surtax reduction, were eliminated. Parameters for the general surtax and the general surtax reduction for the first half of the year - January to June – were set as follows:
 - a general surtax of 1.5% on basic federal tax (i.e., half of 3% for the year);
 - a general surtax reduction for individuals with basic federal tax of less than CAD 12,500 of half of (to reflect half the year) CAD 250 minus 6% of the difference between basic federal tax and CAD 8,333.
- There was also an additional surtax for higher income individuals of 5% of basic federal tax in excess of CAD 12,500.

10.1.3.2 Provincial income tax rates

Provincial/territorial taxes were calculated as a percentage of the basic federal tax, except in Quebec, which had its own system.

The *basic provincial tax* for Ontario was calculated as 39.5% of basic federal tax in 1999. There was also a *Fair Share Health Care Levy* (FSHCL) equal to 20% of provincial tax in excess of CAD 3,750 plus an additional 36% on provincial tax in excess of CAD 4,681. The *adjusted Ontario tax* was the total of basic provincial tax and the FSHCL.

Ontario also provided a *basic tax reduction* of CAD 160. As well, the spouse with the higher net income could claim a reduction of CAD 325 for each dependent child born in 1981 or later (i.e., under age 18). The total of the basic tax reduction and the tax reduction for any dependent children was then doubled and then decreased by the amount of adjusted Ontario tax to arrive at the actual tax reduction.

10.1.4 Refundable credits

10.1.4.1 Federal level

- Refundable credits available to families were calculated on family net income for tax purposes (head & spouse) (see section 10.1.1):
 - The Canada Child Tax Benefit (CCTB, see section 6); paid out on a monthly basis.
 - The goods and services tax credit provides a refundable tax credit of CAD 199 for each individual plus CAD 199 for a spouse, plus CAD 105 for each dependent child under the age of 19. The total of these credits is reduced at a rate of 5 percent of net family income over CAD 25 921. There are special provisions which provide a supplement of up to CAD 105 for single individuals and the full CAD 105 for single parents. The credit is paid out in instalments every three months.

10.1.4.2 Ontario refundable credits

Ontario also offers its own refundable income-tested property and sales tax credits. The property credit is based on the rent or the property tax paid. The sales tax credit maximum includes a basic and a spousal amount of CAD 100 each plus CAD 50 per child. The combined property and sales tax credit is then reduced by 2% on the family net income in excess of CAD 4 000.

10.2 Treatment of family income

All family members are taxed on an individual basis. Refundable credits are calculated on combined net income for head (of the household) and spouse.

10.3 Social security contributions schedule

10.3.1. Pensions

Generally, all employees(except those earning below CAD 3 500) are eligible for coverage under the Canada Pension Plan (Québec Pension Plan in the province of Québec). For 1999, all employees are required to contribute to the Canada Pension Plan at a rate of 3.5 per cent of income up to a maximum contribution of CAD 1 186.50. Income subject to contributions is earnings (wages and salaries) less a CAD 3 500 basic exemption. The maximum contribution of CAD 1 186.50 is reached at an earnings level of CAD 37 400. Employers are also required to contribute to the Canada Pension Plan on behalf of their employees (refer § 2.21).

Self-employed persons are also required to contribute to the Canada Pension Plan. As there are no employer contributions for such persons, self-employed people are required to contribute 7 per cent of earnings up to a maximum of CAD 2 373. As for employees, the maximum contribution of CAD 2 373 is reached at an annual earnings level of CAD 39 000. Each contribution to the CPP or QPP gives rise to a tax credit equal to 17 per cent of the contributed amount.

10.3.2. Sickness

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially-administered health care insurance plans. Two provinces, Alberta and British Columbia, levy health insurance premiums separately from the personal income tax to help finance their health programmes.

10.3.3. Unemployment

In general, all employees are eligible for unemployment insurance. For 1998, employees are required to contribute at the rate of 2.55 percent of insurable earnings. Insurable earnings are earnings (wages and salaries) up to a maximum of CAD 750 per week. The maximum employee contribution is CAD 994.50 per year.

12. Policy developments

12.1 Policy changes introduced in the last year

Federal Level

Significant changes have been made to Employment Insurance special benefits (sickness, maternity and parental) that came into effect on December 31, 2000. The duration of parental benefits was increased from 10 to 35 weeks for biological and adoptive parents. Maternity and sickness benefits remain at 15 weeks each. A maximum of 50 weeks of combined maternity, parental and sickness benefits are now available.

Should parents choose to share the extended parental benefits, the parent filing the second claim will not be required to serve a second two-week waiting period. When parental benefits are shared, both parents can take a portion of the available parental benefits either at the same time, consecutively or even on alternating weeks. However, benefits must be claimed within 52 weeks of the child's birth or placement in the parent's care for adoption.

While receiving parental benefits, parents can now earn the greatest of CAD 50 or 25% of their weekly benefit rate (maximum of CAD 413) without a deduction from their EI benefits. Earnings continue to be deducted from maternity and sickness benefits.

Further legislative amendments to the Employment Insurance Act were adopted by Parliament on May 10, 2001. These include: the elimination of the intensity rule, changes to the benefit repayment provision (see 2.3), and changes to the re-entrant provision (see 2.1.1). The intensity rule reduced the benefit rate (normally 55%) by 1 percentage point for every 20 weeks of regular benefits collected in the past 5 years. The maximum reduction was 5 percentage points.

In addition the Maximum Insurable Earnings will be frozen at CAD 39 000 until the average industrial wage exceeds this amount. At that time a formula will be applied to reflect the higher industrial wage.

With respect to taxation, the 2000 federal budget immediately restored full indexation of the personal income tax system, including CCTB benefits, effective January 2000. Personal income tax rates were also reduced starting in July 2001. In addition, the budget announced that CCTB base benefits were to be increased by CAD 70 per child (including indexation) as of July 2000, over and above the CAD 170 per child increase announced in the 1999 budget.

With respect to social assistance, when Canada Health and Social Transfer was introduced in April 1996, block funding replaced the 50-50 cost-sharing arrangement under the Canada Assistance Plan (CAP). CAP was officially repealed on March 31, 2000, after all federal-provincial CAP accounts were settled.

Provincial level

With respect to taxation, as of January 1, 2001, some provinces, including Ontario, moved to the *Tax ON Income* (TONI) method to determine provincial personal income tax. As a result, several provinces have their own provincial tax on income rates, provincial tax brackets and separate non-refundable personal tax credits.

With respect to social assistance and other benefits in Ontario, the second half of the 1990s was a period of economic recovery and more restructuring of welfare and government. The wide-scale welfare reforms initiated in the fall of 1995 by the new Ontario Government continued into the new millennium, after that same government was re-elected in 1999. Here are some of the main developments in social assistance and related benefits in the past few years:

- Benefit reduction (October 1995), no rate increases since that date;
- workfare requirements for all adult clients of Ontario Works (1997);
- restructuring of provincial-municipal welfare delivery and funding (1998);
- redesign of benefits to people with disabilities in financial need (1998);
- transfer of one-parent households to the Ontario Works program (1998);
- Introduction of the Ontario Child Care Supplement for Working Families (1998);
- permanent disqualification from social assistance for any client convicted in court of welfare fraud for an offence committed on or after April 2000;
- Enhancement of benefits for single parents eligible for the Ontario Child Care Supplement for Working Families (July 2000).

12.2 Policy changes announced

Federal Level

In the January 2001 Speech from the Throne, the Government of Canada committed to improve the support available to parents and caregivers in times of family crisis and to take steps to enable parents to provide care to a gravely ill child without fear of sudden income or job loss. While the Speech from the Throne sets out the policy direction, the federal government will be consulting with provincial and territorial governments as well as stakeholders on the specific approaches to be adopted.

As mentioned in section 6, since July 1998, the Government of Canada has provided direct financial assistance to families with children through the Canada Child Tax Benefit (CCTB) and NCB Supplement. As a result of changes announced in the 2000 Budget and the subsequent 2000 Economic Statement, benefits will be enhanced in July 2001 to provide a maximum annual benefit of CAD 2 372 for a first child and CAD 2 172 for each additional child.

In 2000, federal legislation was amended to extend benefits and obligations to same-sex couples on the same basis as common-law opposite-sex couples. This change applies to 68 federal statutes, including Employment Insurance, the Canada Pension Plan and the Income Tax Act. With respect to income tax, starting in 2001, “living common law” will include partners who are of the same sex or the opposite sex. Common-law partners will have the same income tax rights and obligations as spouses. Persons who had a same-sex partner in 1998, 1999 or 2000 can choose to be considered as having a common-law partner starting from that year.

Provincial level

In early May of 2001, the Ontario government issued a press release outlining its intentions for the Ontario Works program, called the "five-point action plan". The five points are:

- doubling the number of workfare placements;
- providing additional supports for people on welfare who face significant barriers to getting a job;
- mandatory literacy testing and training to help people on welfare who are unable to read and write to break through the literacy barrier and get ready to work;
- advanced training to improve caseworker skills they need to better help people facing barriers to employment;
- mandatory drug treatment to help people overcome an addiction that is a barrier to getting a job

CANADA

**The annual tax/benefit position of an unemployed single person
1999**

(in Canadian dollars)

	Unemployment insurance	Social Assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Employment insurance	19 079	
Total taxable benefits	19 079	0
B. Income tax and social security contributions		
Income tax allowances	0	
Taxable income	19 079	
Income tax (before tax credits)	3 243	
Tax credits (wastable)	1 212	
Local tax	1 121	
Social security contributions	0	
Total income tax and social security contributions	3 152	0
C. Non-taxable benefits		
Means-tested benefits		
Social assistance	0	6 240
Children refundable tax credit		
Non-means tested benefits		
Total non-taxable benefits	0	6 240
D. Net income out of work (A-B+C)	15 927	6 240
E. Net income in work	25 554	25 554
F. Net replacement rate (D/E) (per cent)	62	24

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**The annual tax/benefit position of an unemployed married couple
with two children (6 and 4 years old)**

1999

(in Canadian dollars)

	Unemployment insurance	Social Assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Employment insurance	27 751	
Total taxable benefits	27 751	0
B. Income tax and social security contributions		
Income tax allowances	0	
Taxable income	27 751	
Income tax (before tax credits)	4 718	
Tax credits (wastable)	2 184	
Goods and Services tax credit (refundable)	118	210
Children refundable tax credit	2 646	4 394
Local tax	1 053	
Social security contributions	0	
Total income tax and social security contributions	822	-4 604
C. Non-taxable benefits		
Means-tested benefits		
Social assistance	0	13 797
Non-means tested benefits		
Total non-taxable benefits	0	13 797
D. Net income out of work (A-B+C)	26 929	18 401
E. Net income in work	29 588	29 588
F. Net replacement rate (D/E) (per cent)	91	62

CANADA

**The annual tax/benefit position of an unemployed lone parent
with two children (6 and 4 years old)**

1999

(in Canadian dollars)

	Unemployment insurance	Social Assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Employment insurance	27 751	
Total taxable benefits	27 751	0
B. Income tax and social security contributions		
Income tax allowances	0	
Taxable income	27 751	
Income tax (before tax credits)	4 718	
Tax credits (wastable)	1 212	
Goods and services tax credits	118	210
Children refundable tax credit	2 646	4 394
Local tax	1 053	
Social security contributions	0	
Total income tax and social security contributions	1 794	-4 604
C. Non-taxable benefits		
Means-tested benefits		
Social assistance	0	12 468
Non-means tested benefits		
Total non-taxable benefits	0	12 468
D. Net income out of work (A-B+C)	25 957	17 072
E. Net income in work	28 616	28 616
F. Net replacement rate (D/E) (per cent)	91	60