CANADA

1. Overview of the system

Unemployment insurance is earnings-related, 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. There are no child benefits, but refundable child and child-care tax credits may be paid. A Working Income Supplement is paid to low income families with at least one dependent child. Individuals are in principle taxed separately; if one partner earns less than C$5 918 per year, incomes can be reported on the return of the main earner. The latter then receives a tax credit in respect of the dependent spouse. The 1997 APW earnings level is C$ 34 412.

2. Employment insurance

2.1 Conditions for receipt

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

2.1.1 Employment conditions

Employment conditions 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.

2.1.2 Contribution conditions

Contributions to the program begin with the first $1 earned up to $39 000 per year. A person who meets the employment conditions also meets the contribution conditions since virtually all paid employees are in insured employment.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

The gross replacement rate is 55 per cent of average gross earnings subject to a maximum of $413 per week. For low income claimants with dependants the replacement rate currently stands at 75% and is scheduled to increase to a maximum of 80% in January 2000.

2.2.2 Income and earnings disregards

Claimants working while on claim may earn up to 25% of their weekly benefits or at least $50. Earnings about 25% are deducted dollar for dollar from weekly benefits.

2.3 Tax treatment of benefit

EI benefits are taxable. EI claimants whose annual net income (including EI benefits) exceeds a certain threshold have to repay part of their benefits. If the claimant's net income exceeds $48 750, the repayment rate is 30% of total benefits. Total benefits include regular, maternity, parental and sickness benefits. Those who have received more than 20 weeks of regular benefits in the last five years face a lower threshold (C$39,000) and greater repayment rate of regular benefits. In all cases the tax back rate is 30%.

Threshold of $39 000 net income

Weeks of regular benefit received in last 5 years	Repayment rate
21-40	50%
41-60	60%
61-80	70%
81-100	80%
101-120	90%
121+	100%

2.4 Benefit duration

Benefits are payable for a maximum period of 45 weeks, starting after a two-week waiting period. This 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

None.

4. Social assistance

Social assistance (or welfare) is administered by the provinces and territories, who set their own payment rates. Ontario welfare rates are used in this study; they are about 10% higher than average amounts payable elsewhere in Canada.

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. 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.

Monthly general welfare rates, in C$
(in effect since fall 1995)
(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, other 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 free area depends on the family size. The monthly amounts are shown below:

Number of children	Single (C$)	Couple (C$)
0	143	249
1	275	295
2	321	346
3	372	397
4	423	442
5	468	480
6+	+38	+38

The above earning disregard table applies only in Ontario, and it does not take in effect until a client household has been in receipt of social assistance for three full months. The withdrawal rate that applies to net earned income (net of tax and social security contributions) exceeding these amounts is 75 per cent. Note that households with children may also claim child-care expenses.

4.3 Tax treatment of benefit

The benefit is not taxable, but is taken into consideration in calculating entitlement to federal child tax benefits and sales tax credits.

4.4 Benefit duration

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.

4.5 Treatment of particular groups

4.5.1 Young persons

As a general rule, anyone who has not reached the age of majority 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.

4.5.2 Older workers

In many Canadian jurisdictions, older workers who are unemployed and whose financial resources are insufficient to cover basic needs are not required to participate in employability measures or job search as a condition of eligibility for social assistance.

5. Housing benefits

In Canada, there is no separate housing benefit scheme solely for social assistance client households.

6. Family benefits

Child-related family benefits are paid by the federal government through a refundable child tax credit known as the Child Tax Benefit. (see Section 10.1.1).

7. Child-care benefits

There is a child-care refundable tax credit (see Section 10.1.1). 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

As an interim step towards implementing the Canada Child Tax Benefit in July 1998, the Working Income Supplement was restructured as of July 1st 1997 in order to provide benefits for each child instead of on a per family basis. The maximum benefit amount was increased from an annual amount of C$500 for an eligible family to provide higher benefits which are structured on a per child basis of C$605 for the first child, C$405 for the second child and C$330 for each additional child. As before, benefits are phased in based on family earned income over C$3 750 and begin to be reduced on net family income over C$20 921. The Child Tax Benefit Supplement of C$213 per child for children under seven still exists.

All Canadian provinces pay special work-related allowances to social assistance clients whom are joining or rejoining the labour force. In Ontario, for example, Start-up benefits of up to $253 once in every 12 month period for actual reasonable expenses are available for a social assistance beneficiary who begins employment or a training program, who changes employment or begins an employment assistance activity.

9. Lone-parent benefits

Social assistance benefit structures in Canada generally treat the first child in a lone-parent family as an adult for rate purposes, i.e. a single parent with one child receives about the same payment as a childless couple; in Ontario, the lone-parent family receives a bit more.

10. Tax system

Individuals are in principle taxed separately. If, however, one partner earns less than C$5 918 per year, 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

10.1.1 Tax allowances and credits

The following tax credits are available:

- Basic non-refundable tax credit: C$1 098 per tax payer.

- Marital Status Credit: a (non-refundable) tax credit of C$915 for a dependent spouse, reduced at 17 per cent of the spouse's gross earnings in excess of C$538; of Canada Pension Plan/Quebec Pension Plan and Unemployment contributions (non-refundable).

- Child Tax Credit (refundable): C$1 020 per child under 18, plus C$213 per child under 7 (where no child expenses are deducted), plus C$75 per child for the third child and each subsequent child in the family. The credit is reduced by an amount equal to five 5 per cent of earnings above C$25 921 for families having two children or more and 2.5 per cent of earnings exceeding C$25 921 for families with one child.

- Work Income Supplement: see Section 8.

- Child-care Expenses which enable the caring parent to work: this deduction must be claimed by the lower-earnings spouse. The deduction is limited to the least of child-care expenses, two-thirds of the taxpayer's earned income, or C$5 000 per child under 7 years of age and C$3 000 for other eligible children. Attendant child-care expenses up to C$5 000 can be claimed for a dependent handicapped person over 18 years of age.

- Goods and Services tax credit: a refundable tax credit of C$199 per claimant, C$199 for the spouse, and C$105 for each child under 19 years of age is granted to low income families. It is reduced at the rate of 5 per cent above an earnings level of C$26 000.

10.1.2 The definition of taxable income

Taxable income equals gross income less child-care expenses if claimed; the credits are not included in taxable income but in tax liability.

10.1.3 The tax schedule

10.1.3.1 Federal income tax rates

Taxable income (C$)	Rate (%)
0 - 29 590	17
29 590 – 59 180	26
59 180 and more	29

A 3 per cent surtax is applicable on basic federal tax, that is on tax after non-refundable credits. A 5 per cent high-income surtax also applies to basic federal tax in excess of C$12 500.

10.1.3.2 State and local income taxes

It is calculated as percentage of the basic federal tax (tax after non-refundable credit) except in Quebec, which has its own system. The average tax rate is 58 per cent for Ontario.

10.2 Treatment of family income

All family members are taxed on an individual basis.

10.3 Social security contribution schedule

In 1997, a taxpayer has to contribute 3.0 per cent of earnings in excess of C$3 500 but to a limit of C$35 800 for the Canada Pension Plan (CPP). Employees have to contribute 2.9 per cent of insurable earnings for unemployment insurance and employers pay 1.4 times the employee rate. The maximum employee contribution is C$ 1 131 per year.

Contributions	Rate (%)	Earnings ceiling (C$ per year)	Threshold (C$ per year)
Canada Pension Plan	3.0	35 800	3 500
Unemployment*	2.9	39 000	1

*) 17% of the unemployment contributions can be credited against income tax (non-refundable).

11. Part-time work

11.1 Special benefit rules for part-time work

None.

11.2 Special tax and social security contribution rules for part-time work

None.

12. Policy developments

12.1 Policy changes introduced in the last year

On January 1st 1997 the Employment Insurance Act came into full effect. In the area of social assistance programs, Canadian provinces and territories continued to reform and restructure their programs during 1996. In April 1996, the federal government introduced the Canada Health and Social Transfer (CHST), a block funding mechanism to replace the Canada Assistance Plan (for social assistance and services) and Established Programs Financing (for health insurance and

post-secondary education). Under CHST, federal transfers to the provinces and territories will decrease by almost C$7 billion over two years; the CHST transfer in 1998-1999 will be C$26 billion. The CHST offers provincial and territorial governments more flexibility in allocating federal transfers according to their priorities, and it allows them the opportunity of trying new innovative approaches to welfare reform without the administrative burdens under the previous system.

During 1996 and the early part of 1997 the government of Ontario continued to develop its welfare reforms, from introducing workfare (i.e. mandatory work for basic assistance) to reorganising funding responsibilities between the provincial and municipal levels of government for education, social services and assistance, and health care. Other Canadian provinces continued to reform their welfare systems during this period as well. Generally 1996 was a year of tightening up the programs: tighter eligibility criteria, more stringent administrative controls, benefit reductions, etc.

12.2 Policy changes announced

The introduction of the National Child Tax Benefit to help reduce the depth of child poverty and to help parents form attachments to the labour force. The National Child Tax Benefit and a host of provincial/territorial investments are coming into effect in the summer of 1998. When the Canada Child Tax Benefit is introduced and later increased, the federal government will be assuming a greater role in providing basic income support for low-income families with children. As the Federal benefit increases, provinces and territories will decrease benefits for social assistance recipients--the total benefits available to social assistance families will remain at least the same. As part of its reinvestment programs under the National Child Benefit, Ontario created the Ontario Child Care Supplement for Working Families. This new program provides a maximum annual benefit of C$1 020 for each child under 7. Families would be eligible for the supplement if they have work earnings exceeding C$5 000 or are attending education or training programs and have child care expenses. For families with incomes above C$20 000, the supplement would be reduced.

CANADA

The annual tax/benefit position of an unemployed single person, 1997
(Canadian dollars)

	Unemployment insurance	Social Assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Employment insurance	18 927	
Total taxable benefits	**18 927**	**0**
B. Income tax and social security contributions		
Income tax allowances	0	
Taxable income	18 927	
Income tax	3 218	
Tax credits (wastable)	1 098	
Surtax	64	
Local tax	1 134	
Social security contributions	0	
Total income tax and social security contributions	**3 318**	**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)	**15 609**	**6 240**
E. Net income in work	**24 883**	**24 883**
F. Net replacement rate (D/E) (per cent)	**63**	**25**

CANADA

The annual tax/benefit position of an unemployed married couple with two children, 1997
(Canadian dollars)

	Unemployment insurance	Social Assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Employment insurance	18 927	
Total taxable benefits	**18 927**	**0**
B. Income tax and social security contributions		
Income tax allowances	0	
Taxable income	18 927	
Income tax	3 218	
Tax credits (wastable)	2 013	
Surtax	36	
Local tax	644	
Social security contributions	0	
Total income tax and social security contributions	**1 885**	**0**
C. Non-taxable benefits		
Means-tested benefits		
Social assistance	0	14 136
Children refundable tax credit	2 466	2 466
Non-means tested benefits		
Total non-taxable benefits	**2 466**	**16 602**
D. Net income out of work (A-B+C)	**19 508**	**16 602**
E. Net income in work	**28 143**	**28 143**
F. Net replacement rate (D/E) (per cent)	**69**	**59**

CANADA

The annual tax/benefit position of an unemployed lone parent with two children, 1997
(Canadian dollars)

	Unemployment insurance	Social Assistance
A. Taxable benefits		
Means-tested benefits		
Non-means tested benefits		
Employment insurance	18 927	
Total taxable benefits	**18 927**	**0**
B. Income tax and social security contributions		
Income tax allowances	0	
Taxable income	18 927	
Income tax	3 218	
Tax credits (wastable)	1 098	
Surtax	64	
Local tax	1 134	
Social security contributions	0	
Total income tax and social security contributions	**3 318**	**0**
C. Non-taxable benefits		
Means-tested benefits		
Social assistance	0	13 032
Children refundable tax credit	2 466	2 466
Non-means tested benefits		
Total non-taxable benefits	**2 466**	**15 498**
D. Net income out of work (A-B+C)	**18 075**	**15 498**
E. Net income in work	**26 709**	**26 709**
F. Net replacement rate (D/E) (per cent)	**68**	**58**