
CANADA 2001

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) and a number of federal and provincial benefits and credits delivered through the personal income 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 income 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 personal income tax system in Canada is progressive, meaning that tax rates rise as taxable income rises. It also includes many deductions, exemptions, and tax credits (both refundable and non-refundable) which serve to reduce taxes payable. See section 10 for further details. The 2001 AW earnings level is CAD 37 232.

2. Employment insurance

2.1 *Conditions for receipt*

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

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 per cent) and 700 hours in areas of low unemployment (less than 6 per cent). New entrants or re-entrants to the labour force must have worked a minimum of 910 hours in the 52 weeks preceding job loss. Effective 1st October 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. This 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 are 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.

EI claimants from low-income families with children are eligible for the Family Supplement. Low-income is defined as net family income under CAD 25 921. Recipients can receive up to an 80 per cent replacement rate depending on their net family income and the number and ages of the children (see table below). Claimants with family income below CAD 20 921 receive the full supplement available to them based on the number and age(s) of their children.

Note that the Family Supplement is an add-on to the basic weekly benefit rate. The normal replacement rate is 55 per cent of the average weekly earnings in the six months preceding the start of a claim. Although Family Supplement recipients can receive up to an 80 per cent replacement rate overall, the maximum weekly EI benefit rate, including the Family Supplement, is subject to a maximum of CAD 413.

Family supplement - rate increase

(in CAD)

Family income range	Number of children			Top-up for each additional child	Age supplement for each child under 7
	1	2	3		
20 921	31.30	58.70	86.10	27.45	4.15
20 921 - 21 250	31.25	58.60	86.00	27.40	4.10
21 251 - 21 500	28.50	53.60	78.80	25.60	3.85
21 501 - 21 750	26.45	49.90	73.45	24.25	3.65
21 751 - 22 000	24.45	46.25	68.20	22.85	3.45
22 001 - 22 250	22.55	42.70	63.15	21.50	3.25
22 251 - 22 500	20.70	39.30	58.15	20.15	3.05
22 501 - 22 750	18.90	35.95	53.30	18.75	2.80
22 751 - 23 000	17.15	32.70	48.60	17.40	2.60
23 001 - 23 250	15.45	29.55	44.00	16.00	2.40
23 251 - 23 500	13.80	26.50	39.55	14.65	2.20
23 501 - 23 750	12.25	23.55	35.25	13.30	2.00
23 751 - 24 000	10.70	20.70	31.05	11.90	1.80
24 001 - 24 250	9.25	17.95	26.95	10.55	1.60
24 251 - 24 500	7.85	15.30	23.05	9.15	1.40
24 501 - 24 750	6.55	12.75	19.20	7.80	1.20
24 751 - 25 000	5.25	10.25	15.55	6.45	1.00
25 001 - 25 250	4.00	7.90	12.00	5.05	0.75
25 251 - 25 500	2.85	5.65	8.55	3.70	0.55
25 501 - 25 750	1.75	3.45	5.25	2.30	0.35
25 751 - 25 921	0.70	1.40	2.10	0.95	0.15

2.2.2 *Income and earnings disregards*

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

2.3 *Tax treatment of benefit*

Recipients of 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 per cent of total regular benefits. The maximum repayment is limited to 30 per cent 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 an unpaid two-week waiting period. The number of weeks of benefits to which a claimant is entitled is a function of the number of hours worked in the qualifying period and the local unemployment rate. Entitlement varies from 14 to 45 weeks.

In general, a 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 for a 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).

In Ontario in 2002, the average unemployment rate was 7.1%, which would entitle claimants with long employment duration (more than 1 820 hours) to 40 weeks of benefits.

Special benefits (maternity, parental and sickness) are payable for varying durations. Maternity and sickness benefits are payable for up to 15 weeks each, while parental benefits can be paid for up to 35 weeks.

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.
- 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 rules and payment rates. Ontario welfare rates are used in this document. Current rates were set in 1995 at 10 per cent above¹ the average of the maximum amounts payable in other Canadian provinces.

The Canadian welfare system has undergone some fundamental changes since 1996. In almost every province and territory, more stringent eligibility criteria and administrative controls (fraud prevention and detection) became the norm, and benefit reductions affecting part or all of the caseload were not uncommon.

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

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 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 personal allowance, a shelter allowance to assist in the payment of (total actual) housing costs and, in some jurisdictions, allowances for regularly-recurring approved special needs (e.g. diabetic food allowance). 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 for people with no disabilities is called Ontario Works.

Monthly Ontario Works rates, in CAD
In effect since fall 1995²
(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	321	346
3	372	397
4	423	442
5	468	480
6+	+38	+38

2. No change since previous report.

The above earnings disregard table applies only in Ontario, and 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 per cent offset increases with each consecutive year on assistance until it reaches 100 per cent for recipients with 25 or more months on social assistance.

4.3 Tax treatment of benefit

The benefit is not taxable, but it must be declared on the taxfiler's income tax return, and it 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.* as long as 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 may not receive social assistance in his or her own right except in cases of family breakdown, abuse or parenthood. 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.

5. Housing benefits

See section 4.

6. Family benefits

6.1 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 2001 benefits

were calculated on incomes reported for the 1999 tax year; July to December 2001 benefits were calculated on incomes reported for the 2000 tax year.³

The CCTB provides a standard basic benefit of CAD 1 104⁴ (1 117)⁵ per child under age 18 plus CAD 219 (221) supplement for each child under 7 where no child care expenses are deducted and a CAD 77 (78) supplement for the third and each additional child. The supplement of CAD 219 is reduced by 25 per cent of child-care expenses claimed. The base benefit is reduced by 5 per cent of net income in excess of CAD 30 004 (32 000) for families with two or more children and 2.5 per cent for families with one child. In addition, a National Child Benefit (NCB) Supplement is provided to low-income families with children. The maximum NCB Supplement is CAD 977 (1 255) for one child, plus CAD 771 (1 055) for a second child, plus CAD 694 (980) for the third and each additional child. The NCB Supplement begins to be phased out based on family net income in excess of CAD 21 214 (21 744). Complete phase out occurs at CAD 30 004 (32 000). The reduction rates are 11.1 (12.2) per cent for families with one child, 19.9 (22.5) per cent for families with two children and 27.8 (32.1) 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.

6.2 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 or enhanced 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's NCB initiative for 2001 continued to be the Ontario Child Care Supplement for Working Families (OCCS). See section 7, below.

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3. Due to modelling constraints, benefit entitlement within the model is calculated on current, rather than previous, income.
 4. All rates are those in effect during the period January to June 2001 (also in effect for July to December 2000).
 5. Amounts in parentheses are those that were in effect over the period July to December 2001.

7. Child-care benefits⁶

7.1 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 219 (221) per child under age seven that is provided to families not claiming child-care expenses as a tax deduction. For families claiming the child-care expenses deduction, the above supplement is reduced by 25 per cent of the child-care expenses claimed as a deduction in the related tax year (see section 6).

7.2 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 2001, the OCCS program provided a maximum annual benefit of CAD 1 100 for each child under age 7 in a two-parent family, and, effective July 2001, a maximum annual benefit of CAD 1 310 per child under age 7 in a lone-parent family. Families were eligible for the supplement if they had work earnings⁷ 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.

Ontario Child Care Supplement for Working Families (OCCS)

	2001 (annual basis)
The benefit is calculated as the greater of:	
a) Per cent of earnings in excess of CAD 5 000	
- when 1 child <7 is present	21%
- when 2 children <7 are present	42%
- when 3 or more children <7 are present	63%
and	
b) 50 per cent of the qualifying child-care expenses*	
Maximum per child <7 in a two-parent family	CAD 1 100
Maximum per child <7 in a lone-parent family	CAD 1 310
Level of family net income (for tax purposes) where benefit starts to be reduced	CAD 20 000
Reduction rate	8%

* For families with earnings up to CAD 5 000, the annual supplement is equal to 50 per cent of qualifying child-care expenses claimed on the previous year's income tax return.

Households receiving social assistance benefits in Ontario that have children may also claim child-care expenses up to limits specified in the regulations (CAD 390 per month for children under age 6

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

7. Includes families with one or both parents studying or in training.

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 late 1997, the province of New Brunswick implemented the New Brunswick Work Income Supplement, which provided financial benefits to low-income working families with children. In addition, in 1998 several provinces and territories introduced earned-income supplements as part of their NCB initiatives.

All Canadian provinces offer special work-related supports 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 eligible dependant 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 205³ (207)⁴ that lone parents can claim for themselves, they can also claim this amount for the dependent child claimed as an eligible dependant. There is also a GST credit supplement of up to CAD 107 (109) for low-income single parents (as well as single individuals).

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 6 923 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 2001 federal income tax form logic and refer to families reporting earnings and claiming basic deductions and regular refundable and non-refundable credits.

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. Social assistance payments must be reported for the calculation of 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 deduction is available to families. The deduction is limited to the least of child-care expenses, two-thirds of the taxpayer's earned income,⁸ and CAD 7 000 per child under 7 years of age, plus CAD 4 000 for each child aged 7 to 16.⁹

Taxable income is calculated by excluding social assistance, worker's compensation and federal supplements for senior citizens from *net income*. *Tax 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 below) on taxable income, less the non-refundable credits (section 10.1.2), or zero if this result is negative.

10.1.2 *Non-refundable tax credits*

Basic relief: In 2001, all taxpayers qualify for a personal tax credit of CAD 1 186.

Marital status relief: A taxpayer supporting a spouse receives a tax credit of CAD 1 007, which is reduced by 16 cents for each dollar of income accruing to the spouse in excess of CAD 630. The same amount is available to heads of single-parent families with respect to one child.

Social Security contributions credit: 16 per cent 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.

Basic federal income tax rates

Taxable income (CAD)	Rate (%)	Tax (CAD)
On the first 30 754	16	4 921 at 30 754
On the next 30 754	22	11 687 at 61 509
On the next 38 491	26	21 694 at 100 000

8. 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.

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

Excess of 100 000	29	21 694+ 29% on the excess of 100 000
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In 2001, the Federal Individual Surtax was eliminated.

10.1.3.2 Provincial income tax rates

In 2000, the calculation of provincial/territorial tax rates (except Quebec, which has its own system) became independent of the federal government's income tax system. Therefore, the provincial tax rate is no longer a percentage of the federal income tax, but it is calculated directly on taxable income using provincial/territorial tax rates.

In 2001, the calculation of provincial/territorial non-refundable tax credits (except Quebec) became separate from the federal non-refundable tax credits.

Basic Ontario income tax rates

Taxable income (CAD)	Rate (%)	Tax (CAD)
On the first 30 814	6.16	1 898 at 30 814
On the next 30 815	9.22	4 739 at 61 629
Excess of 61 629	11.16	4,739 + 11.16% on the excess of 61 629

In 2001, Ontario implemented its own provincial non-refundable tax credits. The rules for claiming them are the same as the rules for the federal non-refundable tax credits.

Basic Relief: As of 2001, all taxpayers qualify for a personal provincial tax credit of CAD 457.

Marital Status: As of 2001, a taxpayer supporting a spouse receives a tax credit of CAD 388, which is reduced by 6.16 cents for each dollar of income accruing to the spouse in excess of CAD 631. The same amount is available to heads of single-parent families with respect to one child.

Social Security contributions credit: 6.16 per cent of total SS contributions.

There was also a surtax equal to 20 per cent of provincial tax in excess of CAD 3 560 plus an additional 36 per cent on provincial tax in excess of CAD 4 491.

In 2001, Ontario also provided a *basic tax reduction* of CAD 156. As well, the spouse with the higher net income could claim a reduction of CAD 317 for each dependent child born in 1983 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 and 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 205 (207)⁴ for each individual plus CAD 205 (207) for a spouse, plus CAD 107 (109) for each dependent child under the age of 19. The total of these credits is reduced at a rate of 5 per cent of net family income over CAD 26 284 (26 941). There are special provisions which provide a supplement of up to CAD 107 (109) for single individuals and the full CAD 107 (109) 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 Property tax credit includes 20% of rent paid during the year with a maximum of CAD 250, to which 10% of the occupancy cost is added. 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 per cent 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 2001, all employees are required to contribute to the Canada Pension Plan at a rate of 4.3 per cent of income up to a maximum contribution of CAD 1 496.40. Income subject to contributions is earnings (wages and salaries) less a CAD 3 500 basic exemption. The maximum contribution of CAD 1 496.40 is reached at an earnings level of CAD 38 300. Employers are also required to contribute to the Canada (Quebec) Pension Plan on behalf of their employees at the same rate of 4.3 per cent.

Self-employed persons are also required to contribute to the Canada (Quebec) Pension Plan. As there are no employer contributions for such persons, in 2001 self-employed people are required to contribute 8.6 per cent (*i.e.* the 4.3 per cent employee portion plus the 4.3 per cent employer portion) of earnings up to a maximum of CAD 2 992.80. As for employees, the maximum contribution of CAD 2 992.80 – shared equally between employee and employer, or CAD 1 496.40 each, is reached at an annual earnings level of CAD 38 300. Each contribution to the CPP or QPP gives rise to a non-refundable tax credit equal to, at the federal level, 16 per cent of the contributed amount, and at the provincial (Ontario) level, 6.16 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, provided they meet eligibility and qualifying requirements, all employees are potentially eligible for unemployment insurance and are required to contribute at the rate of 2.25 per cent 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 887.50 per year.

11. Part-time work

No special provisions.

12. Policy developments

12.1 Policy changes introduced in the last year

12.1.1 Federal Level

Significant changes have been made to Employment Insurance special benefits (sickness, maternity and parental) that came into effect on 31 December 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 per cent 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 10 May 2001. These include: the elimination of the intensity rule, changes to the benefit repayment provision (see section 2.3), and changes to the re-entrant provision (see section 2.1.1). The intensity rule reduced the benefit rate (normally 55 per cent) 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.

12.1.2 Provincial level

With respect to taxation, as of 1 January 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 wide-scale welfare reforms initiated in the 1990's continued into the new millennium. In June 2001, the Ontario government announced that it would introduce mandatory literacy testing and training for all Ontario Works participants who needed it starting 1 October 2001. Mandatory literacy testing and training began in October 2001 in three Ontario communities; it will gradually be phased in throughout the province.

12.2 Policy changes announced

12.2.1 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.

Changes announced in the 2000 Budget and the subsequent 2000 Economic Statement indexed the tax system. Beyond 2002, further measures have been legislated to provide tax relief up to 2004. The measures include:

- Basic personal amount will be at least CAD 8 000.
- Spousal amount will be at least CAD 6 800.
- Raise the second bracket threshold to at least CAD 35 000.
- Raise the third bracket threshold to at least CAD 70 000.
- Raise the fourth bracket threshold to at least CAD 113 804.
- Raise the family net income at which the National Child Benefit supplement is fully phased out and the CCTB base benefit phase-out begins to at least CAD 35 000.
- Reduce phase-out rate of the base benefit of the CCTB from 5 to 4 per cent (from 2.5 to 2 per cent for families with one child).

In July 2002, the CCTB was increased. The CCTB basic benefit increased from CAD 1 117 (July 2001) to CAD 1 151 (July 2002).

In 2002, taxpayers will continue to benefit from indexation of the tax system. The indexation factor for 2002 is 3 per cent. All indexed personal income tax parameters will be adjusted by this factor. Indexation will raise the income threshold for all tax brackets in 2002. It will also ensure that the value of tax assistance for seniors, people with disabilities and caregivers will rise in 2002. It will mean that the value of benefits for low-income families and individuals, such as the CCTB and the goods and services tax credit (GSTC), will rise in 2002.

12.2.2 Provincial level

With respect to taxation, the June 2002 Ontario Budget announced that there would be a one-year delay in the previously promised reduction in provincial personal income tax.

ANNEX: ESTIMATION OF CHILDCARE COSTS AND CHILDCARE BENEFITS

Childcare Costs

The following table outlines the median monthly parent fees for full-time child care, per child, by age group (for pre-school children only), in a regulated centre-based child care facility, in the Province of Ontario, as of 1998.

Age of child	Median monthly parent fee (in CAD)
Infants (age 0-17 months)	783
Toddler (age 18 months – 3 years)	603
Pre-school (age 3 – 5.11 years)	541

Source: Early Childhood Care and Education in Canada, Provinces and Territories, 1998. Child Care Resource and Research Unit, University of Toronto.

Childcare Benefits

For details on: initiatives to help Ontario families on social assistance meet their childcare costs while in training, or participating in employability programs; and other child care benefits available in Ontario as well as nationally across Canada, please see section 7. *Child Care Benefits*.