

Marginal Effective Tax Rates for Working Families in Canada

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Executive Summary

- This report provides a cross-provincial analysis of the marginal effective tax rates (METRs) faced by working families across Canada, highlighting the significant impact these rates have on low- to middle-income earners.
- Individuals and families with modest incomes, particularly those earning between \$30,000 and \$60,000, face the highest METRs. In Quebec, for example, the METR for a representative family within this income range is as high as 53%.
- The structure of METRs across provinces results in very low net-of-tax returns for earnings in the low- to middle-income range for Canadians. This creates a disincentive for earning additional income, as the financial benefits are significantly offset by increased taxes and reduced transfer benefits.
- Low-income families in Canada are particularly hard-hit by high effective tax rates. Many take home only 40 cents or less on each additional dollar earned, because of the combination of higher taxes and loss of federal and provincial transfer benefits.
- Solutions include lowering clawback rates on income-tested benefits, increasing the basic exemption amount on earned income, and reducing statutory tax rates on employment income. However, these options come with corresponding trade-offs and there is no obvious win-win solution to the problem.

Introduction

An examination of the current marginal effective tax rates (METRs) across Canadian provinces shows a continued trend: Individuals and families with modest incomes, specifically those earning between \$30,000 and \$60,000, often face the highest marginal effective tax rates (METRs). Across Canada, a typical family within this income range is subject to a METR of around 50% on average, with this figure rising to over 55% in Quebec. This fact underlies a longstanding point of contention in policy discussion regarding the tax and transfer system and how it alters the incentives for individuals and families in their decisions about work and seeking additional income. Currently, METRs across provinces yield modest net-of-tax returns for those in the lower- to middle-income brackets, significantly diminishing the incentive to participate in the labour force or pursue additional income, the returns to which are offset by diminished transfer benefits in addition to higher rates of income tax.

Discussions around Canada’s personal income-tax system often center on the progressive nature of statutory tax rates. However, to fully grasp the complex financial dynamics between individuals and the combined Federal-Provincial governments, it is essential to consider more than just statutory rates. A meaningful evaluation must also include the myriad of federal and provincial financial transfer programs, their respective reduction mechanisms, commonly known as “claw-backs”, and the overall effect these factors have on the final income people take home. Marginal Effective Tax Rates (METRs) illustrate the total effect of both taxes and transfers on disposable income and provide a clear picture of how income-tested transfers, tax credits, and taxes on earnings collectively affect disposable income across the entire spectrum of income levels.

This report is a follow-up to the similarly themed 2019 report prepared for the Fraser Institute, *Marginal Effective Tax Rates across Provinces: High Rates on Low Income* (Bazel, 2019). This report provides a technical update of the current marginal effective tax rates (METRs) across Canada, expands on the discussion and evidence for labour responses to tax rates with recent works, considers recent developments in family-targeted benefits, and considers the impact of high METRs on work incentives for low-income families and individuals.

The aim for this study is to serve as a reference point, providing the METR curves and comparison across provinces so that they might aid discussions and analyses related to federal-provincial tax and transfer systems across Canada. The report includes a primer on interpreting METR curves, including a turn-by-turn breakdown of Alberta’s 2023 curve as a detailed case study. It

also examines METR distributions across all income levels, with a particular focus on the disproportionately high rates to which individuals with moderate incomes are subject. Subsequently, we delve into recent academic research to present the best evidence for the tangible effects of the tax and transfer system on labour-force choices at the margin. And, finally there is a discussion of the limited policy options available to decision makers seeking to boost productivity and labour contribution—at the margin—in Canada, while also considering the essential needs of people reliant on income-tested transfer programs.

Effective Tax Rates at the Margin—a Primer for 2023

This section will provide an overview of how to interpret METRs in the hope that this will lend clarity to the material covered in the study and allow a broad cross-section of readers to make use of the results presented.¹ The goal is to demystify the interpretation of Marginal Effective Tax Rates (METRs), which can appear complex and counterintuitive to those unfamiliar with the structure.

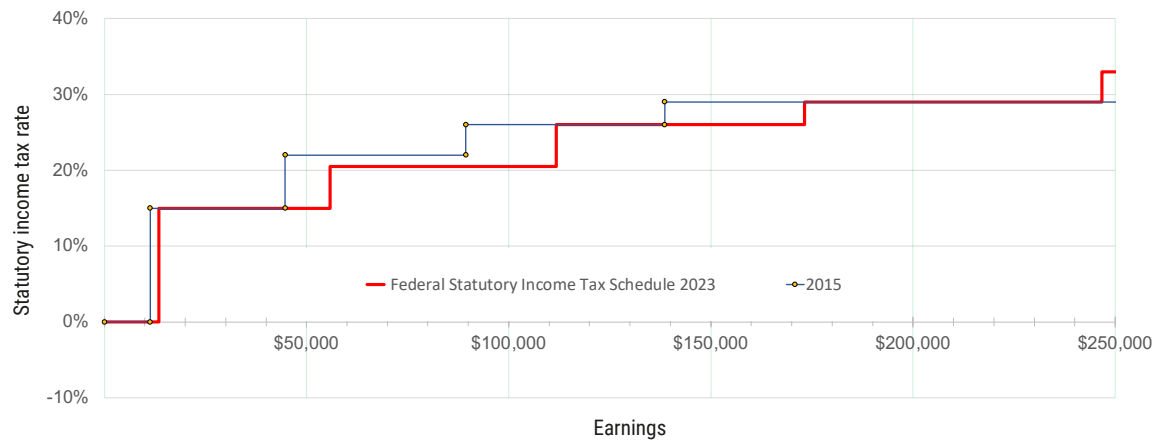
Marginal effective tax rates at the personal level—whether considering an individual, family, or household—account for the combined effect of the tax and transfer system and represent the net-of-tax returns to earned income.² Central to the concept is the *marginal* and *effective* nature of the measure. The measure is *marginal* in the classical economic use of the term, in that it is measured on the last dollar earned, where decisions are affected by financial incentives. In modeling the METR curves, as presented below, the result is continually (re)evaluated as income is incremented, producing a continuous set of results that can be graphed as a curve. This modeled incrementing of income allows us to derive the METR at any point of income and compare that with any potential change in income to another point along the curve, allowing us to see exactly how tax- and transfer-induced *behavioral incentives* change at different income levels. The measure is *effective* in that it accounts for all aspects of the tax and transfer system to arrive at a result that is net of taxes and transfers, accounting for the complex interaction among earnings, personal taxes on income, and the granting and reduction of tax credits and transfer benefits. Effective measures stand in contrast to something like a statutory tax-rate schedule on personal income that illustrates only one aspect of the personal tax system in isolation. Absent the full picture revealed in an effective analysis, the tax-rate schedule on personal income does not provide much insight into the difference between gross income and net-of-tax income, or rather the difference between what an individual or family earns, and what it has to spend after its interactions with government are fully accounted for.

Figure 1 shows the 2023 federal statutory tax rate on personal income along with the 2015 rate structure.³ This graph does away with all the complexity of the transfer system and provincial

1 I shall do my best to keep the explanations concise and and supplemented with practical examples that illustrate the concepts. Those familiar with interpreting METR graphs may wish to skip this primer section.

2 Net-of-tax here could be interchangeable with the notion of disposable or take-home income.

3 I have added 2015 to illustrate the rate structure prior to the last substantive change in 2016, which dropped the second bracket from 22% to 20.5% and introduced a new tax bracket of 33% for individuals earning over \$200,000. The shift to the right in the tax brackets between 2015 and 2023 is a result of indexation of the tax brackets.

Figure 1: Federal statutory income tax rates in Canada, 2015 and 2023

Source: Author's calculation using Statistics Canada's SPSPD/M. See footnote 11.

programs to simply illustrate the relationship between earned income and federal income tax rates on net personal income.⁴ As income goes up so does the rate at which net income is taxed. Because these changes occur within distinct income brackets, the graph takes the shape of a staircase ascending to the right. This figure offers little in the way of surprises, and most notably illustrates the basic federal personal amount on income wherein the first \$13,521 essentially goes untaxed, technically being returned as a non-refundable tax credit.⁵

Figure 1 is helpful in illustrating a few things to keep in mind when interpreting METR graphs. This is *not* a graph of an individual at a particular point in time, but rather the expected levels of taxation at each point of income that might be earned. With earnings along the bottom axis we can consider the personal income-tax rate an individual would face as income increases, 0% from \$0–\$13,521, 15% from \$13,522–\$55,867, and so on.⁶

The next example (**figure 2**) is intended to demonstrate the impact of a federal income-transfer program, namely the Canada Workers Benefit (CWB), and the associated reduction or clawback of the same benefit as earnings increase. Here it is important to establish that for the purpose of METRs the reduction of a transfer benefit as income goes up is treated as a form of taxation. This is because it reduces the net-of-tax return on earnings (take-home) exactly as a tax would.

Figure 2 illustrates the impact of a transfer program that grants a benefit as income increases, then claws it back as some higher income threshold is passed.⁷ It shows the same federal statutory

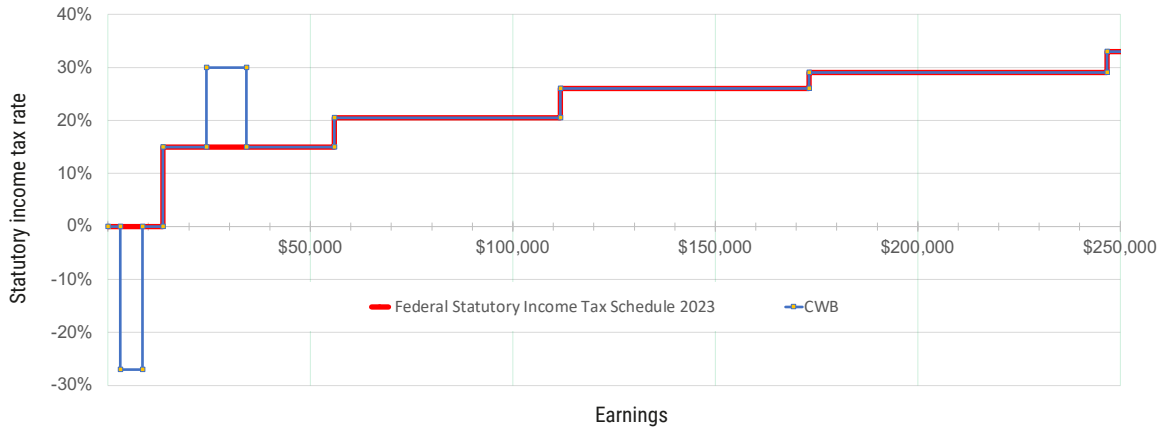
4 More on the distinction between earned income and net personal income upon which statutory rates are applied is provided below.

5 For more information, see Canada Revenue Agency, 2024.

6 Or rather, as income is synthetically incremented from the perspective of modeling METRs.

7 In this case, the curve would be representative of a single earner.

Figure 2: Interaction between federal statutory income tax rates and Canada Workers Benefit, 2023



Source: Author's calculation using Statistics Canada's SPSPD/M. See footnote 11.

rate structure as figure 1 but includes the impact of the Canada Workers Benefit⁸ transfer program with the following parameters: at \$3,000 of earned income the individual becomes the recipient of the CWB transfer—in the form of a refundable tax credit—which is phased in at a rate of 27%—or 27 cents on the dollar—to a maximum benefit value of \$1,479. This benefit is then clawed back at 15% when earnings exceed \$24,349. The math here is simple: for every dollar earned in excess of \$3,000, the individual faces no income tax and receives 27 cents in benefit. Taken together this means that for every dollar earned \$1.27 is received. Thus, the individuals' METR over this range is -26%. With a maximum benefit of \$1,479 phased in at 27%, the effective tax rate is altered over a range of \$5,481 of earnings, from \$3,000–\$8,481. As the threshold for the clawback does not occur until \$24,349, the individual simply faces the statutory rate on earnings between \$8,481 and \$24,349 of earnings—so the two lines converge. Once the \$24,349 income threshold is crossed, additional earnings are taxed at the statutory rate on income (15%), and further reduced by the CWB claw-back of 15 cents per dollar of earnings, leading to a METR of 30% over the earnings from \$24,349 to \$34,215 until the \$1,479 benefit associated with the CWB has been completely taxed back. At this point, the METR and statutory rate on income are the same—and the lines on the graph converge—as the range of income the CWB program alters has been exceeded.

The example in figure 2 is simple but covers all the mechanisms necessary to understand how METR curves are interpreted and why they can present a counter-intuitive picture to those who might consider taxation primarily in terms of statutory rather than effective tax rates. In moving from this simplified example to a full provincial METR we will see it is similarly composed of a base curve representing statutory tax rates on net personal income, that is altered by payroll deductions,

⁸ The Canada Workers Benefit, formerly known as the Working Income Tax Benefit (WITB), represents an enhancement to benefits under WITB as well as higher thresholds for clawback.

transfer benefits, and tax credits. Some of these credits and transfers (such as the Alberta Child and Family Benefit) are phased in, then clawed back; others (like the Canada Child benefit) are granted at zero earnings and clawed back as earnings increase, while some (such as CPP and EI contribution tax credits) are phased in up to a defined maximum benefit but not withdrawn.

Figure 2 also illustrates how an individual or family with relatively modest income can face a higher METR than those in the highest statutory income-tax bracket, given the prospect of multiple simultaneous clawbacks on overlapping transfer programs. Though the above example is simplified—representing a single transfer program interacting *only* with income taxes—it gives us all the tools we need to understand what is happening when we look at a more complex METR curve. In contrast to the simplicity of the example in figure 2, the complexity found in an METR graph for a given province arises from the fact that it represents *all* tax and transfer program features for several overlapping benefits and tax credits at both the federal and provincial level simultaneously. So, while the individual programs themselves are as simple as the example above the resulting graph appears complex given the overlap and interactions among the numerous programs at any given level of earnings.

Another important distinction is that the earnings definition on which personal income taxes are levied is different from the earnings definition on which transfer benefits are evaluated for families. For instance, in the calculation of income taxes, first an individual's net or taxable income is calculated, then the corresponding federal and provincial rates are applied, and finally any tax credits reduce the amount of taxes owing. The statutory rate will always be determined by an individual earner's net income and never the combined income of an earner plus a spouse, though tax credits and deductions are determined in part by the earnings of a spouse or circumstances of a child. In contrast, transfer benefits are generally based on combined net family income that accounts for the earnings of both spouses. In addition, some transfer programs use an "adjusted" net family income definition for evaluating benefits, which will often exclude the income associated with other transfer programs to limit interaction and compounding effects between two income-tested programs. For instance, the Canada Workers Benefit transfer program modeled above establishes an adjusted net income definition that excludes income associated with the Canada Child Benefit. In addition, tax credits and transfer benefits may vary with number of children or other circumstances such as disability for a family member.

The next section explores how the design of the underlying tax and transfer programs gives shape to the METR curve for a particular jurisdiction, altering financial incentives and thus decisions regarding labour participation or hours worked. The issue of labour incentives represents a central concern in policy design where individual program parameters as well as the combined impact of overlapping tax and transfer policies significantly alter the net-of-tax returns to paid work.

Transfer Programs, METRs, and the Impact on Labour Incentives

The topic of how labour responds to marginal tax changes is somewhat contentious. In this context, Thomas Piketty writes:

Traditional estimates of the elasticity of the supply of labor generally found that it was quite low ... on the order of 0.1-0.2 percent ... Of course, these studies measured the elasticity of the supply of labor and not of human capital as such. They considered only the effect of tax rates on the number of hours worked, which do not vary much for the majority of workers, and not on motivation or efficiency, nor on incentives to acquire additional human capital or find a more remunerative job, which are potentially more important. It is hard to imagine that these incentives are completely insignificant, even if they are difficult to measure. (Piketty, 2015: 83)

Piketty's words here cut to the core of the issue. The response of labour to marginal tax rates is likely not insignificant, though measuring it with fidelity may be difficult.

In substantially lowering the net-of-tax returns to earnings over the critical \$30,000–\$60,000 income range, the overall impact of the tax and transfer system diminishes the incentive to seek opportunities to earn incremental income. Families at the low end of income may feel returns to labour are diminished beyond the point that taking on additional work becomes attractive. For instance, as we will see with Alberta the METR suddenly jumps into the 60%–70% range just above \$50,000 in household earnings. Here a parent leaving the house to generate additional income is bringing home 30 to 40 cents on the dollar and may incur additional expenses for childcare to do so. Diminished net-of-tax incentives to generate additional income also apply to higher income ranges, but the effect is more concerning and potentially detrimental for low-income families where elevated income is likely to generate additional current consumption, rather than savings.

Whereas high METRs discourage additional work and savings for higher income individuals—with the broader implication of reduced growth and productivity at the national level—at the low end of income high METRs can contribute to the cycle of poverty by encouraging reliance on benefits rather than taking on additional employment that returns very little in the way of tangible financial reward. In this way, high METRs also diminish incentives to boost skills and education to secure incremental career growth that would enable higher savings over the long run and reduce

instances of poverty later in life. In addition, high METRs increase the incentive for tax avoidance, making employment opportunities in which income is not reported and taxes uncollected more attractive at lower levels of pre-tax pay. This comes with increased incentives for individuals to take on employment that is more precarious or transient and in which benefits, employment insurance, and CPP are not accrued.

Literature on the link between marginal tax rates and labour choices at the margin

Given the current state of our knowledge, the fact that marginal rates are higher at the lower end of the wage distribution than in the middle or at the top ... suggests that too much attention has been paid to the supposed disincentive effects of higher top marginal rates ... In many countries estimates have been made of the effects of high marginal rates on labor market participation by initially unemployed individuals in various categories (youths, single people, and married women). All these studies have found much higher elasticities (ranging from 0.7 to 1.2) for these groups than for those already employed. (Piketty, 2015: 84)⁹

Evidence from the literature—for Canada and abroad—confirms that policy determinants translate to tangible impacts on labour force participation and hours worked. Studies such as those by Mitsopoulos and Pelagidis (2021), Causa (2009), Eissa and Hoynes (2005), Poschmann (1999), Davies (1998), and Blundell (1995, 2012) draw on empirical studies of the response of the labour market to changes in METRs and offer compelling evidence for labour-force responses to taxes at the margin.

Mitsopoulos and Pelagidis' paper, *Labor Taxation and Investment in Developed Countries: The Impact on Employment* (2021) looks at the relationship between labour taxation and employment levels across countries with varying levels of competitiveness and institutional maturity. They write: "In spite of the controversies found in the literature, there exists sufficient empirical evidence to suggest that tax increases lead to growth slow down and employment decline, as well as an encouragement of undeclared work" (2021: 15). The study uses data from the World Economic Forum's Global Competitiveness Index and the World Bank to derive an econometric analysis. They find that, in highly competitive countries, taxation acts as a disincentive to work and functions as an important determinant of employment levels.

The late 2020 Expert Report on Basic Income commissioned by the government of British Columbia takes the relationship between tax and work incentives as a central consideration in contemplating the restructuring of British Columbia's social system:

⁹ Here Piketty provides a reference for Blundell, 1995 and Piketty, 1998. Blundell's 1995 paper was part of the OECD's Jobs Study Working Papers.

Tax rates affect work incentives. Incentives related to work go well beyond just the decision to begin working, or the decision to work more or less. They also include when to work (shifts), job search, occupation, industry, employer, migration, self-employment, off-the-books work, illegal activities, wages versus fringe benefits, on-the-job training, and formal education and skills upgrading. Tax rates also affect income tax compliance, honest self-reporting of income, and many aspects of tax planning, tax avoidance, and evasion behavior. In addition to work incentives, tax rates can affect other life decisions, especially family formation and fragmentation, marriage, and childbearing. Tax rates can create incentives on the employer side, too, but we ignore those for our current purposes. (Green, Rhys Kesselman, and Tedds, 2021: 362)

Richard Blundell's 2012 paper, *Tax Policy Reform: The Role of Empirical Evidence*, focuses on how tax reforms, particularly those related to earnings taxation, affect labour decisions. Emphasizing the complex interactions among tax rates, benefits, and labour supply choices, they find that lower-income groups in the United Kingdom, France, and the United States all face high effective marginal tax rates as a result of the clawing-back of income-tested benefit transfers and tax credits. This high tax burden can influence the labour-supply decisions of lower-income groups, particularly in deciding whether to work and how much to work:

We will also point to important variation at the extensive margin for mothers with pre-school children and with lower levels of education. Hours of work conditional on employment for women show more variation over the life-cycle, especially in the UK where there still remains a dip around child-bearing ages. For women with younger children it is not usually just an employment decision that is important, it is also whether to work part-time or full-time. Some of this variation in the UK we will be able to attribute to the specific design of the tax and benefit system. (Blundell, 2012: 48)

Eissa and Hoynes' 2005 paper for the National Bureau of Economic Research further suggests that program design as a driver of these responses can produce disparate outcomes across different family structures. Similar, and less ambiguous, findings in Causa's 2009 paper for *OECD Journal: Economic Studies* establish "that policies and institutions have a differential impact on working hours of different groups in the labour force" (Causa, 2009: 2) and specifically identifies a much larger response to high METRs for women than men. Causa also establishes further differences in response for women of varying levels of education, with more educated women showing less labour response to taxation. Causa's findings bear on a central question explored in the literature on the behaviour of labour supply in response to taxation, and confirms the "importance of the disincentive effects attached to marginal taxation for women, who are most often second earners" (Causa, 2009, 17).

These studies are only a few examples from a broad literature establishing that METRs have a measurable impact on choices about work and so present a critical concern in the design or modification of income-tested transfer programs whether at the federal or provincial level. In the next section, the METRs for Alberta will be fully deconstructed, looking at the policy mechanism that leads to each step in the graph. This will serve to illustrate fully and unambiguously how the cumulative effect of the tax and transfer system shifts as income increases, and allow for an introduction of the primary federal and provincial programs that alter the net-of-tax return to earned income.

Deconstructing Alberta's Marginal Effective Tax Rate

This section will provide a detailed analysis of effective tax rates for a base-case family in the province of Alberta in 2023. This will include a full account of the federal and provincial programs that give shape to the METR curve in Alberta.¹⁰ Before proceeding, it is important to establish the structure of our base case as well as some of the assumptions embedded in the METR graphs. For the modeling of all the METR graphs presented below the same family has been used in each province.¹¹ It is composed of two working-age parents 33 and 31, both of whom earn income, and two children aged 3 and 5 years.¹² The family was chosen on the basis of simplicity and in an attempt to avoid triggering any programs that would be highly case specific, as this would give rise to an METR that was representative of that particular family's circumstances rather than of a broad cross section of the most common tax and transfer features. For instance, a family with distinct medical needs or a child with disabilities would qualify for several medical expense and disability tax credits that would alter the shape of its METR curve, making it much more specific to that particular family.

The presentation of the METR curves in this study is based on an x-axis variable of combined-family earned income, and the base-case family was chosen in part because income is entirely composed of wage income rather than of dividend or capital gains income, which attract different income-tax rates.¹³ In addition, only taxes on income are considered; the impact of consumption taxes is not.

10 Each province will have its own curve, given the variation in provincial programs; see Appendix A for METRs on family earnings in each province in 2023.

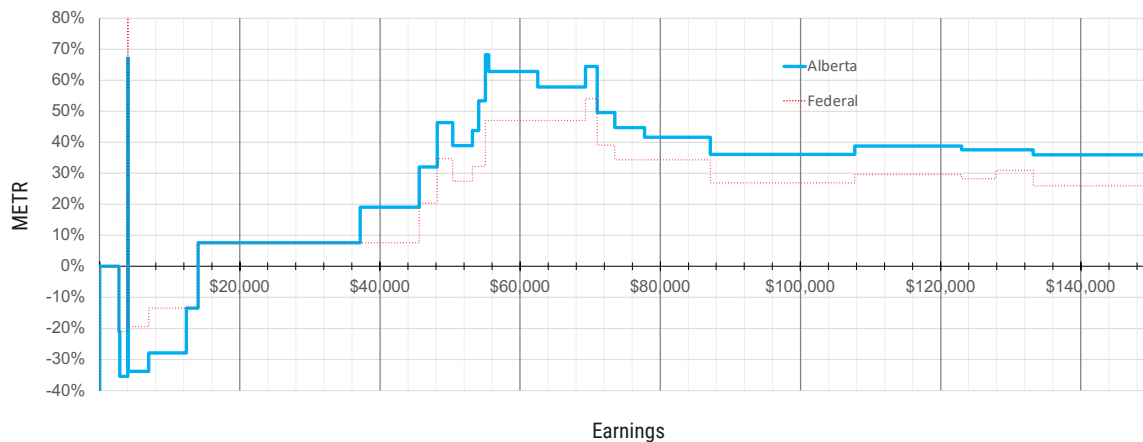
11 This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the resulting simulations were prepared by the author and all responsibility for use and interpretation of these data lies with the author.

12 Our two earners are assumed to earn income in equal levels at the same rate. This assumption is not trivial and will produce a different METR curve than a case that assumes a single earner, or earners who bring in unequal amounts of income. Neither case is problematic, and a different assumption would result in small adjustments to the income thresholds at which benefits are triggered. The exercise in modeling here necessitates establishing a base case; the two-earner family was chosen as plausible representative case and for comparability with past work.

13 In addition, there is the possibility of using total income including transfer income as the x-axis variable. This has the benefit of indicating the value of all transfers when zero dollars are earned but also obscures the picture with regard to earned income. As a central focus of this paper is the negative impact of high effective tax rates on the incentives for earnings, the choice was made to frame the METR graph in the context of earnings.

The METR curve for our base-case family in Alberta is shown in **figure 3**. To differentiate the impact of federal programs from that of provincial programs, the METR curve for underlying federal programs is also shown. This helps show the federal tax and transfers that underlie all provincial METR curves. The provincial curve modifies the base federal curve by either adding taxes, raising the curve, or adding transfers, which lowers the effective rate and, consequently, the curve. It is important to keep in mind that the provincial curve is the curve of interest as it shows the net effect of federal and provincial programs, while the federal curve is useful for determining the degree to which federal and provincial programs contribute to the overall METR.¹⁴

Figure 3: METR curves in Alberta for a two-earner family with two children, provincial and federal programs, 2023



Source: Author's calculation using Statistics Canada's SPSPD/M. See footnote 11.

Analysis of Alberta's METR curve

\$0: With zero earnings the METR is -100% , indicating that all income at this level is composed of transfers. For our base-case family this translates to \$16,899 of federal transfer income, primarily composed of the Canada Child Benefit at roughly \$14,500, but also including the refundable federal sales-tax credit, and the Alberta Child and Family Benefit.¹⁵

\$0–\$2,860: Over this range, the METR is 0% , as this initial bit of earned income attracts no income tax and triggers no additional employment tax credits or program clawback.

¹⁴ Alberta was chosen for the case study for continuity with the earlier study.

¹⁵ See footnote 13. Using total rather than earned income on the x-axis would produce a section of -100% METR stretching from \$0 to \$16,899.

\$2,861–\$4,000: Here we see a two-leg drop in the METR as earnings cross the federal and provincial working-income benefits “cut-in” threshold. The refundable Canada Workers Benefit cuts in at \$2,760 of earnings, above which the payout is phased in at 21%. Simultaneously, income crosses the Alberta Child and Family Benefit income “cut-in” threshold above which the “working component” of the payout is phased in at 15%. The combined impact of the federal and provincial working-income benefits programs represents a –35% marginal rate as each dollar of earned income generates an additional \$0.35 of transfer income. Owing to the simplicity of the curve over this range we can see the METR is defined entirely by these programs between \$2,861 and \$4,000.

\$4,001–\$4,064: The sharp spike to the ceiling here is associated with federal Employment Insurance contributions (EI). Over this narrow range, income is fully clawed-back dollar for dollar. If there were no federal and provincial tax credits reducing the METR over this range, the spike would reach 100%.

\$4,065–\$12,400: In this segment, Canada Pension Plan contributions begin but the METR remains low as a result of the above-mentioned benefits in addition to the CPP and EI tax credits (15% of contributions), which are provided at both the federal and provincial level. The step up at roughly \$12,400 represents the range of income over which the provincial and federal married or equivalent tax credit begins to be clawed back.

\$12,401–\$14,000: This section sees a relatively large step up from –27% to –13%, representing the end of the Alberta Child and Family Benefit working component phase-in. Above this range, no additional transfer income is generated, or lost, until the phase-out threshold for the provincial working-benefit programs is crossed and the benefit begins to be clawed back. Though the program is not yet being clawed back, the end of its payout phase increases the METR as the ratio of incremental earnings to disposable income is lowered, given the credit’s absence at the margin.

\$14,000–\$37,000: The METR shows a 20% jump at \$14,071 of earnings as the married equivalent tax credits begin to be clawed back at the same time as the Federal Canada Workers Benefit phase-in is exhausted. As above, it is important to keep in mind that, when a benefit’s phase-in reaches its plateau, this is seen as an increase in the effective rate owing to its absence altering the ratio of incremental earnings to disposable income. The METR curve over this range of earnings is defined by the interaction of several programs mentioned above. Of note, not a penny of income tax payable on earnings has been paid yet, though the METR has increased some 42% over this range, trough to peak.

\$37,001–\$53,000: This section sees a series of stair-steps upward taking the METR into the range over 50%. The first step up, from roughly 7% to 19% indicating the first phase of Alberta Child and Family Benefit two-part clawback range, effectively reducing net-earnings at the margin. The next step up at roughly \$45,000 to 34% occurs as the basic federal amount (basic income exemption tax credit) is exhausted and federal taxes on taxable income become payable at a rate of 15%. The next step up into the 45% range signals the first phase of the Canada Child Benefits two-part clawback, at roughly 13% for a family with two children. Finally, as we cross \$50,000 of earnings we see a 7% dip owing to the end of the federal Spouse or Common-law partner (previously known as the ‘Married’) tax credit phase-out.

\$53,001–\$69,000: Between \$53,000 and \$55,000 we see a rapid escalation of rates approaching 70% owing to several overlapping clawbacks and the start of provincial income taxes. The first leg represents the clawback of the Federal sales-tax credit at 5%. Next, the income threshold for reduction of the federal Canada Workers Benefit is crossed and a clawback of 15% is added. Finally, as the basic provincial amount (basic income exemption tax credit) is exhausted and taxable income is subject to an additional 10% the net impact of the tax and transfer briefly reaches 68%. This peak is followed by two steps down, both in the provincial domain. The first leg down represents a move from the first to the second phase of Alberta Child and Family Benefit two-part clawback range where the clawback rate decreases from 11.5% to 6%. The second leg represents the end of the provincial Spouse or Common-law partner tax credit phase-out.

\$69,001–\$87,000: At \$69,000, we see an increase in federal income taxes that drives the curve up to its second highest peak. Though crossing a statutory income-tax bracket is not expected here, the observed change is not related to a reduction in transfer income, and the modeling presents as an increase in federal income tax across provinces in this range. We may be seeing the rebalancing of transferable credits between spouses or earners and dependents here as income thresholds are crossed. Moving on from this peak, we see a series of steps down, the first and largest of which is accounted for by the complete clawback of the federal Canada Workers Benefit at 15%, which of course shows as an apparent reduction in the METR as the final portion of the benefit is clawed-back. The next smaller step down similarly signals the completion of the federal sales-tax credit clawback. The following two steps down represent the end of the Alberta Child and Family Benefit clawback range at 6%, followed by a move from the first to the second phase of Federal Child Benefit two-part clawback range for 13.5% down to 5.7%.

\$87,001–\$150,000: From \$87,001 to \$107,000 of earnings, the METR curve is defined by federal and provincial income taxes along with the Federal Child Benefit clawback in addition to

phase-in (escalation) of federal and provincial EI and CPP tax credits. At \$107,000 of earnings we see both earners step into the second statutory federal tax bracket, before a small step-down nearing \$123,000 as EI contributions plateau along with the accompanying tax credit. At \$133,000 of earnings, we see a similar step down as CPP contributions plateau along with the associated tax credit.

\$150,001+: At this point, all federal and provincial transfers have been clawed back, except for the federal Canada Child Benefit. The Canada Child Benefit clawback will be complete at \$234,000, though this will happen at the precise point in earnings where both earners will cross into the third federal statutory income-tax bracket. As the Canada Child Benefit clawback (second phase) is 5.5%, the same value as the difference between the second and third income-tax bracket (20.5% to 26%), this threshold has no apparent impact on the METR. Beyond this point, the METR essentially converges with the combined statutory rate on taxable income until it reaches the maximum value of 48% in Alberta, with the top federal bracket of 33% being reached around \$500,000 of combined household income, and Alberta's top bracket of 15% being reached closer to \$700,000.

METR curves for the remaining provinces are presented in Appendix A. Those interested in analyzing the curve for a particular province should see the Government of Canada's list of Provincial and Territorial programs to get a sense of the program parameters that give shape to the METR curve in a particular province (Government of Canada, 2024).

Distributional Analysis of METR across Provinces

When looking at the METR curves for the provinces we see that families with earnings below \$20,000 benefit from negative METRs because of the federal and provincial basic exemptions amounts and employment tax credits. Families below \$35,000 of net income (closer to roughly \$45,000 of combined earnings) also benefit from the full value of the Canada Child Benefit along with provincial counterpart programs such as the Alberta, Ontario, and Manitoba Child Benefit, with each province providing some additional support for families with children. But above \$20,000 to \$30,000 in earnings we see the characteristic steep rise in METRs, which tend to reach a sustained peak above 50% in the \$50,000–\$60,000 range of earnings, often briefly reaching as high as 70% over a limited range of income near \$70,000—ignoring the brief spike associated with the beginning of EI contributions.

Table 1 has a *critical difference* from the METR curves presented earlier in the body and the Appendix A of this study.¹⁶ Whereas METR curves represent a modeled incrementing of earnings to derive the METR at any hypothetical point of income for a single base case family, *in contrast* the results in Table 1 represent the METR at the actual reported earnings level for families in the database. These METRs are then averaged across families in various income groups and provinces in Canada to arrive at an Average METR per income group by jurisdiction.

Table 1 includes a broad number of family structures including households with one or two parents, one or two earners, and between 1 to 3 children, all of whom are under 18. This cohort was chosen as a broad-based group representative of various family types to show what is happening

16 Table 1 represents a subset of the total population as defined by the following list of attributes. The choice to limit the results to this subgroup was made (by the author) in order to focus on the population of interest—that is, working-age families—and exclude households with more complex compositions that would significantly influence the results. For instance, a household with cohabitation or one or more unemployed elderly individuals would alter the METR since the METR is averaged across adults to arrive at an overall household measure. Households included are limited to: those that contain one economic family, with children, 3 children or less, 2 or less earners, 1 or more adults, no elderly (65+), and the sum of all employment and self-employment income is equal to wages and salaries. Any limiting of a population for analysis will bias the results; here the parameters are listed for clarity and transparency, and the limiting is intended to narrow the result to (on average) households containing working-age families with children. Please see Appendix B for additional details on the composition of these groups such as number of households included and average income. The marginal effective tax rate here is calculated on a household basis as the difference between incremental disposable income and incremental market income, over incremental market income, all at the household level.

Table 1: Average marginal effective tax rates for select income levels across provinces, 2023

Total household market income	\$0–\$30,000	\$30,001–\$60,000	\$60,001–\$100,000	\$100,001–\$150,000	\$150,001–\$200,000	\$200,001–\$300,000	\$300,001–maximum	All
Newfoundland & Labrador	12%	49%	41%	40%	42%	42%	44%	37%
Prince Edward Island	15%	50%	44%	42%	43%	42%	42%	39%
Nova Scotia	13%	50%	42%	42%	41%	44%	46%	39%
New Brunswick	8%	44%	43%	39%	40%	42%	42%	36%
Quebec	13%	57%	49%	47%	47%	46%	46%	44%
Ontario	6%	50%	39%	39%	40%	40%	44%	36%
Manitoba	5%	42%	42%	40%	42%	43%	44%	36%
Saskatchewan	5%	41%	41%	39%	36%	39%	39%	35%
Alberta	6%	46%	37%	35%	38%	38%	39%	35%
British Columbia	9%	38%	38%	38%	37%	38%	41%	35%
All	8%	50%	42%	40%	41%	41%	43%	38%

Notes: 1. Colours represent high to low values on a per-row basis. The color gradient starts at blue for low values and moves to red for high values, with desaturated colors in the mid-range. 2. The "All" column represents the average across all incomes for \$0 Max. Source: Author's calculation using Statistics Canada's SPSPD/M.

with family METRs in Canada in general, rather than for one particular family type. Table 1 highlights the real net-of-tax returns to work, on average, across provinces and income groups.¹⁷ As in the previous report (Bazel, 2019), we see that current METRs in Canada have the most harmful effect on labour incentives at a relatively low level of household earnings.

Looking at the results in the majority of provinces, families in the first earnings bracket of \$0–\$30,000 benefit from the lowest average METR, while the highest average METR across income groups is faced by those in the bracket just above, with earnings of \$30,000-to-\$60,000. This holds in every province but Manitoba and British Columbia. This result continues to suggest an uncomfortable truth about the overall impact of the tax and transfer system in Canada, that many families likely struggling with binding financial constraints face METRs as high as 40% and 50%, an effective rate many would assume is reserved only for those among the highest earners across Canada.

The lesson here: many families for whom additional income would translate to a tangible increase in welfare will see among the lowest returns for their efforts. When considered in the context of inflation and the emerging struggle for affordable housing witnessed across Canada in recent years it is easy to imagine that the pressure on families struggling to generate sufficient income has only increased.

¹⁷ Again, here we are taking the "effective tax" definition that accounts for the impact of transfer reductions, which have the same impact as income taxes of reducing consumable income.

Earnings versus income, and measuring income adequacy

One point to keep in mind here is that the METRs above are presented in the context of earnings. However, for a family total disposable income—and thus welfare—is determined not by earnings alone, but also by transfer income. Disposable income is the basis on which we tend to measure economic wellbeing and establish thresholds for poverty. So, here we should convert earnings to disposable income in considering income adequacy and METRs.

For example, returning to our reference family—as represented in the Alberta METR deconstructed above—let us consider their welfare with 2023 earnings in the range of \$48,000. Given earnings of \$48,000 we would expect a total disposable income in the range of nearly \$66,000 once federal and provincial transfer income is included—just shy of the maximum attainable—much of that owing to the Canada Child Benefit, given two children in the household.¹⁸ Our family is firmly within that critical high METR range at \$30,000-to-\$60,000 of earnings, and a significant portion of their disposable household income is transferring income.

The 2022 Canadian Market Basket Measure (MBM)—the official Canadian government income-based poverty threshold—published by Statistics Canada—adjusted to 2023 dollars—establish a disposable income threshold of roughly \$57,000 for a 4-person family in Edmonton or Calgary, with very similar thresholds in Toronto, Ottawa, and Vancouver.¹⁹

Compared with the total household disposable income of \$66,000 for our base-case family of four in Alberta and \$67,500 for an equivalent family in Ontario, we see these families have income roughly 15% and 18% above MBM thresholds for corresponding population centers. While above the poverty threshold, income in this range represents a thin margin of disposable income beyond the MBM poverty threshold. This implies a very likely constraint on savings, if not a more immediate constraint on day-to-day spending for essential goods and services among many families with earnings in the range between \$40,000 and \$60,000. Facing the most burdensome METRs, and thus lowest after-tax returns to work, incentives to earn at the margin are significantly diminished. And this is easy to understand on an intuitive level, as seeking work, taking on additional work, or pursuing job advancement through education and training is a significantly less attractive proposition at 30 or 40 cents on the dollar.

18 The reference family for Statistics Canada's provincial Market Basket Measure (MBM) is a four-person family composed of 2 adults and two children (Devin, Gustajtis, and McDermott, 2023: fn 14).

19 The Market Basket Measure (MBM) was recently adopted by the government of Canada as the official standard for benchmarking economic well-being and poverty. Previously LICO and LIM were also tracked and used. The MBM “establishes poverty thresholds based on the cost of a basket of food, clothing, shelter, transportation, and other items for a family of four that reflects a modest, basic standard of living. A family with a disposable income below the appropriate MBM threshold for the size of the family and the region where they live is deemed to be living in poverty” (see Gustajtis and Heisz, 2023; Statistics Canada, 2023 for more information).

Recent enhancements to family-targeted benefits and hidden evidence

Following on the introduction in 2016 of the Canada Child Benefit, which saw family support transfers increase substantially,²⁰ the federal government introduced the Canada-Wide Early Learning and Child Care (CWELCC) program, announced in 2021. The program was extended to each province and territory contingent on the completion of negotiated bi-lateral agreements between the federal and each provincial government. These agreements established a patchwork of similarly intentioned programs with varying parameters and implementation across provinces, based on the goals established by the federal government, along with accompanying federal funds.

The CWELCC program was launched with the overarching objective of making childcare more accessible and affordable across the country, with the specific goal of reducing the average cost of regulated childcare to \$10 per day across Canada by 2026. CWELCC agreements were completed in most provinces between mid- and late 2021, with Quebec requiring a specialized “asymmetrical” agreement because of its existing childcare system, and Ontario’s agreement negotiations extending into late march of 2022.

The CWELCC provides another substantial increase to family support in Canada and is also notable as departure from family direct transfers, opting instead to transfer funding directly to daycares, while also providing a series of benefits targeted to daycare professionals. For instance, in Alberta—where I have two children in day care—the benefits from the CWELCC break down into several parallel benefits, some income tested, others not (Government of Alberta, 2024). These include the following.

Daycare fee reduction A

The Affordability Grant started in January 2022 and reduced daycare fees by an average of 50% for parents with children up to “kindergarten-age”. Affordability Grants flow directly to childcare operators to lower fees charged for care. The grants vary by age, type, and amount of childcare; for instance, the fee support for an “infant” (up to 19 months) attending daycare 100+ hours a month is \$883, while that of a toddler 3–4 years old is lower at \$626. For children enrolled in overnight care this can extend up to \$1,324 and \$938, respectively. The Affordability Grant is a universal benefit, and thus not subject to income-tested reductions.

20 This point is explored at length in Bazel, 2019. In short, the Canada Child Benefit saw family support transfers increase significantly, along with higher income thresholds for clawback relative to the income-tested components of its predecessor programs, the Canada Child Tax Benefit, and the Universal Child Care Benefit. Of course, the Universal Child Care Benefit was not income tested. But, compared to the income-tested component of the Canada Child Tax Benefit (CCTB), the Canada Child Benefit (CCB) has higher earnings thresholds and lower clawback rates (in the first phase of reduction), which implies less burdensome METRs for recipient families.

Daycare fee reduction B

The Expanded Child Care Subsidy is a secondary component of fee support that is an enhancement to the existing income-tested Child Care Subsidy in Alberta. The subsidy varies for children of daycare, kindergarten, and preschool age, along with the clawback thresholds for earnings.²¹ The maximum value for daycare-aged children (under 4) is \$266, with reduction starting at combined family earnings of \$120,000, and fully clawed back at \$180,000, while fee support for children in kindergarten through grade 6 is significantly higher at \$644 for kindergarten-aged children attending more than 100 hours and \$336 for children grades 1–6 attending over 50 hours.

Benefits for daycares and daycare professionals

Benefits for daycares and career support for daycare professionals and educators: Alberta's agreement includes funding for professional development and training for early-childhood educators, as well as wage top-ups for educators working in childcare facilities.

In evaluating the design and implementation of the CWELCC in Alberta the choice to structure the grant as a direct transfer to facilities is perhaps the most noteworthy. From a classical economics frame of analysis, primarily concerned with efficiency of resource allocation, this decision has a few immediate implications. First, in transferring the grant to the facility the government has chosen to alter the apparent price of daycare, rather than augment the incomes of recipients. By lowering the apparent price of care through direct facility grants, the CWELCC stands to increase demand for daycare services significantly. The expected—and indeed likely—result is a shortfall of spaces in the near term with the sudden spike in demand. This will also likely lead to upward wage pressure for care facility workers and so increased cost for providers with newly regulated price levels.²² In the long term, with market pricing, we would expect the construction of new facilities and new care workers and educators to enter the industry to fill needed positions and take advantage of elevated wages. However, amid the regulation of prices for daycares along with elevated demand—reflecting the subsidization of prices—it is unclear if the return on investment for providers will be sufficient for the industry to expand. In the case providers do not find the newly regulated return to investment in the industry attractive, we would expect to see an sustained shortfall in daycare spaces in the longer run.

Lower prices are expected to result in higher demand—where goods and services are price elastic—with the expected result of more families opting for formal daycare facilities over alternative childcare arrangements, such as care by a parent or a member of the extended family. The

21 The previous subsidy program in Alberta does not appear to have been explicitly funded by the federal government, though the 2017 Early Learning and Child Care (ELCC) bilateral agreement allocated a very similar financial transfer to the provincial government “committed to spending the money on a range of child care and early learning initiatives” (Business Council of Alberta, 2020).

22 In Alberta, the CWELCC included the regulation of prices, limited to 3% annual growth on 2022/23 admission.

traditional economic critique of this policy design is that, by altering the price of a single good relative to all other spending choices, you likely induce consumption of the good or service beyond what people would otherwise choose if they faced the market price. This is essentially the classic definition of economic inefficiency and stands in contrast to a direct transfer that enables individuals and families to allocate the funds to those goods and services that they value most. In short, by lowering the apparent cost of daycare services for families who may place higher value on additional food, clothing, shelter, and so on the policy induces a suboptimal allocation of family resources by shifting consumption to services that may not be top priority—dollar for dollar—while distorting the larger market for childcare. Additional barriers may also result in lower-income families benefiting less from a direct transfer to facilities than a direct cash transfer, for instance where transportation to and from daycare creates an additional challenge that might be partially addressed by a more flexible benefit.

However, this choice may have been—indeed likely was—the product of additional considerations that bear on the nature of care and labour force incentives. Though, as discussed above, efficiency of allocation might not be maximized here, policies that shape care must of course prioritize other considerations. We want to ensure that all children receive adequate care, in an environment where they are being nurtured and their social and intellectual development is enriched. Perhaps policy makers do not wish to induce a compromise at the margin here by creating the possibility of a trade-off, even if other fundamental priorities are of concern. Labor-force incentives are also directly affected. Lowering the market price of childcare lowers the cost of a parent leaving the house to participate in the labour market, increasing the net-of-care return to work where there is a direct cost for child care. The incentives may be reversed with a direct transfer.

Finally, it is worth noting the impact on the METR. As its defined for the purposes of this paper—marginal earnings over marginal net-of-tax-and-transfer income—there is none. As direct transfers to facilities alter the market pricing of a service rather than the ratio of earnings to disposable income, as with direct cash transfers, tax credits, and so on, in the context of the METR curve in Alberta, with programs like the CWELCC we encounter a silent evidence problem. It is the same for consumption taxes, health care, and any tax and transfer program that is not captured by the METR yet has a significant and tangible impact on our personal welfare.²³

23 As an addition to Bazel, 2019, Finn Poschmann's earlier work on METRs provides a point of historical comparison with the current estimates presented here, along with an excellent overview of the development of targeted family-oriented tax and transfer programs prior to 2011; see Poschmann, 2008 and Poschmann and Laurin, 2011.

Marginal Effective Tax Rates— No Solutions, Only Trade-offs

The consideration of effective tax rates in the design of transfer programs is a matter of balancing goals in a framework of trade-offs. There is no simple solution to lowering METRs. One program objective such as low-income targeting must be traded off against another like gentle phase-out (avoiding high clawback rates), high income thresholds for reduction, and total program costs. There is no low-hanging fruit or easy win-win solution to the issue of high METRs on low-income families. Program costs constrain the parameters with which policy makers shape income-tested transfer programs, and tax relief comes at the expense of increased layouts. As such increased costs imply a need to generate more revenue, the tax burden is shifted on to another group, a politically costly move.

The mechanics by which METRs can be reduced are simple: lower clawback rates, higher earned-income thresholds for reduction, higher basic exemption amounts on earned income, and lower statutory tax rates on taxable income. Each of these would have the effect of flattening the METR curve over the low-to-middle income range, pushing the peaks down in favour of a longer range of sustained METRs driven by transfer clawbacks with lower rates and longer tails. Among these options, Poschmann (2008) advocates a limit on reduction rates associated with child benefits at 10%, highlighting the trade-off between the METR impact and low income targeting. At the time of his proposal, the 23% reduction associated with the Canada Child Tax credit was significantly more burdensome than the equivalent 13.5% under the current Canada Child Benefit. Even so, a 10% limit on child benefits if applied to current federal child benefits would still provide welcome relief for working families with modest incomes. Davies (1998) proposed that, if the federal government found its fiscal setting allowed it do so, it should opt for personal tax cuts and aim to reduce the personal tax rate on the lowest income bracket, 17% at the time, now 15%. Further reductions to rates in the first brackets reduce METRs at the low-end, but at the expense of low-income targeting, given that statutory progressive income tax reductions benefit all earners.

The decline of novel approaches

Anecdotally, there also seems to be less interest in—and discussion of—novel approaches to addressing the problem of high METRs on low income: specifically, the application of a basic guaranteed income. This policy avenue seemed to be “having a moment” a few years back amid a

broad resurgence of interest by the media, policy circles, and government. From the vantage point of 2024, this interest seems to have dampened following on the late 2020 release of British Columbia's Final Report of the Expert Panel on Basic Income (Green, Kesselman, and Tedds, 2020), and its reluctance to recommend that the government proceed with a limited basic-income pilot project.

Among the explanations given for their reluctance to recommend a basic income, the panel highlighted concerns about labour incentives, a theme that ran throughout the report. The report highlighted the importance of the dignity and self-respect that comes from voluntarily chosen work, pointing out that cash transfers, such as those proposed in a basic-income system, could have disincentive effects on work, placing them at odds with the goal of maintaining dignity and promoting voluntary work participation. The panel also considered the consequences of potentially reduced labour-force attachment as a result of such disincentives, emphasizing the need to minimize these effects.

Though the issue of government budgets and program spending falls outside the scope of this study, one trend is clear: the minimum level of income support for the lowest earning families continues to increase in real terms. With the reworking of Canada's federal child benefits and the support of provincial programs, the level of support for families has increased substantially.

Conclusion

Though we have seen positive reinforcement for the primary family-targeted support programs, marginal effective tax rates remain burdensome. Differing approaches to the design of transfer programs highlight the fact that choices in program structure necessarily trade one goal off against another, for instance maximum economic efficiency with targeted objectives regarding childcare.

The issue of high marginal effective tax rates on families with low and modest income continues to present a challenge for policy makers in Canada. Average rates approaching 50% on families with income between \$30,000 and \$60,000 are found across provinces, with average METRs for this group reaching as high as 57% in Quebec, and 50% in Ontario, Nova Scotia, and Prince Edward Island. Such high rates represent an urgent concern as they diminish the net-of-tax return to taking on paid work, and so reduce the incentive for individuals to seek additional income. This can create a barrier to socioeconomic advancement.

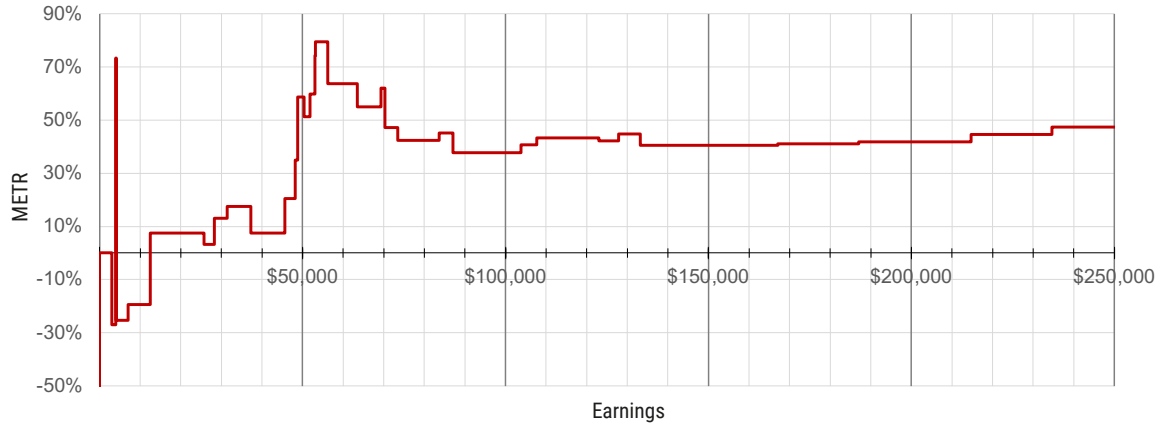
This report finds that families in modest income brackets consistently face disproportionately high METRs, raising questions of fairness and efficiency in the tax and transfer system. These findings highlight the need to prioritize METR reductions for low-income families and individuals in future development of the Canadian tax-and-transfer system, as we seek to balance the incentives for economic participation with the imperatives of equitable taxation, dignity, and income sufficiency.

Appendix A: Marginal Effective Tax Rates (METRs) on Family Earnings across Canadian Provinces, 2023

About the graphs

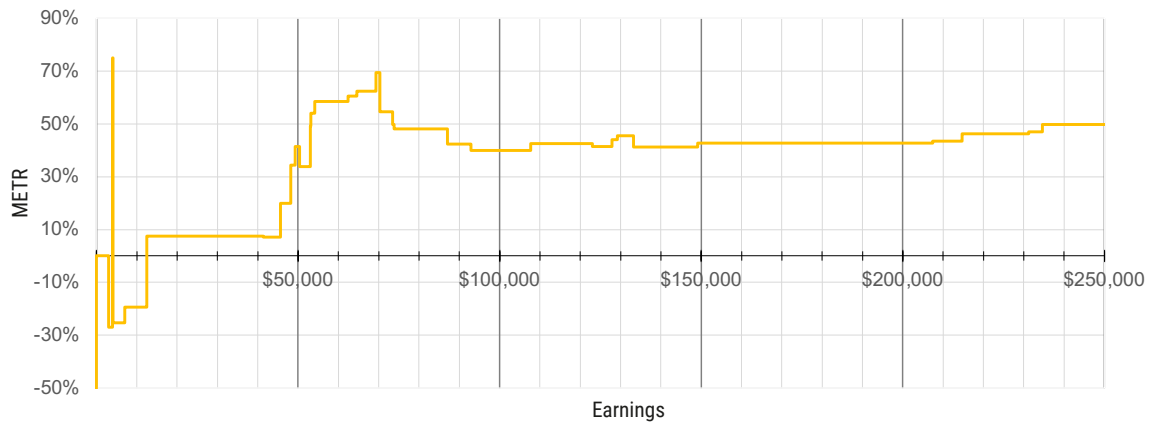
1. The graphs in Appendix A have been truncated to allow for a clearer picture below \$225,000 of income. Above \$225,000, METRs converge with statutory rates on net income because of the absence of transfer programs over this range of income.
2. The base case family in each figure presented in Appendix A here shares the same structure as outlined in the section, Deconstructing Alberta's Marginal Effective Tax Rate.
3. The graphs of each province in Appendix A have a constant set of dimensions and scale. As such, they can be easily overlaid in an image editing program for comparison.

Figure A1: Marginal effective tax rates (METRs), Newfoundland & Labrador, 2023



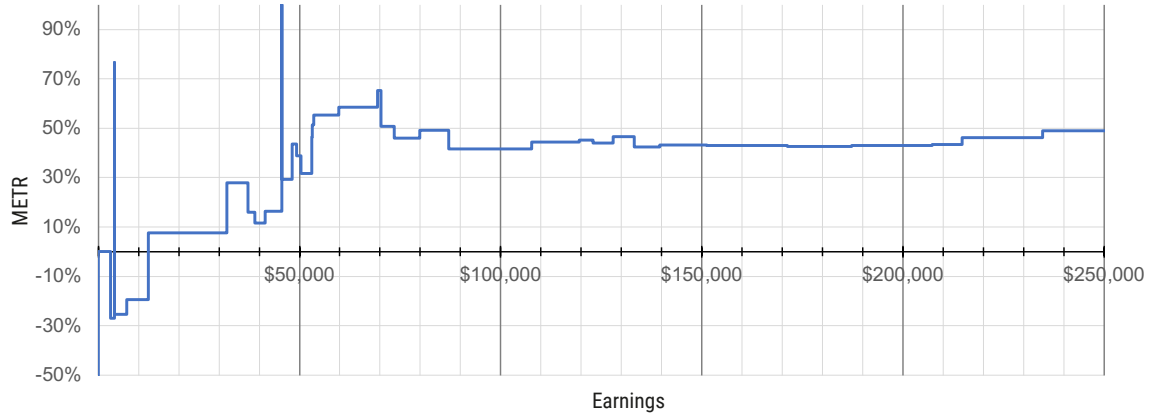
Source: Authors calculation using Statistics Canada's SPSPD/M.

Figure A2: Marginal effective tax rates (METRs), Prince Edward Island, 2023



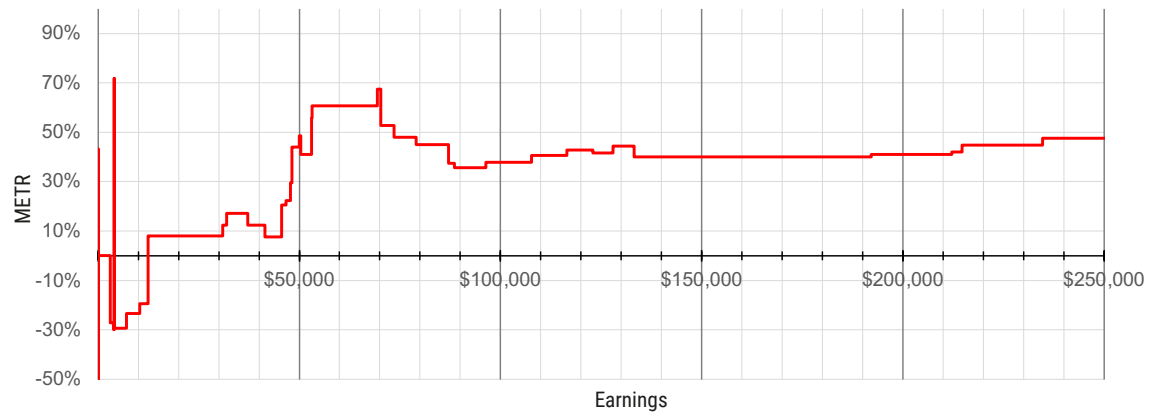
Source: Authors calculation using Statistics Canada's SPSPD/M.

Figure A3: Marginal effective tax rates (METRs), Nova Scotia, 2023



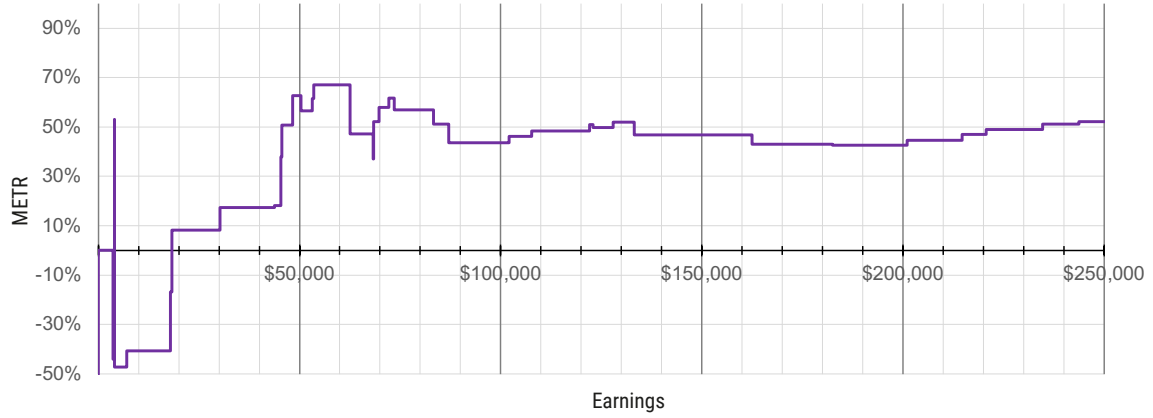
Source: Authors calculation using Statistics Canada's SPSPD/M.

Figure A4: Marginal effective tax rates (METRs), New Brunswick, 2023



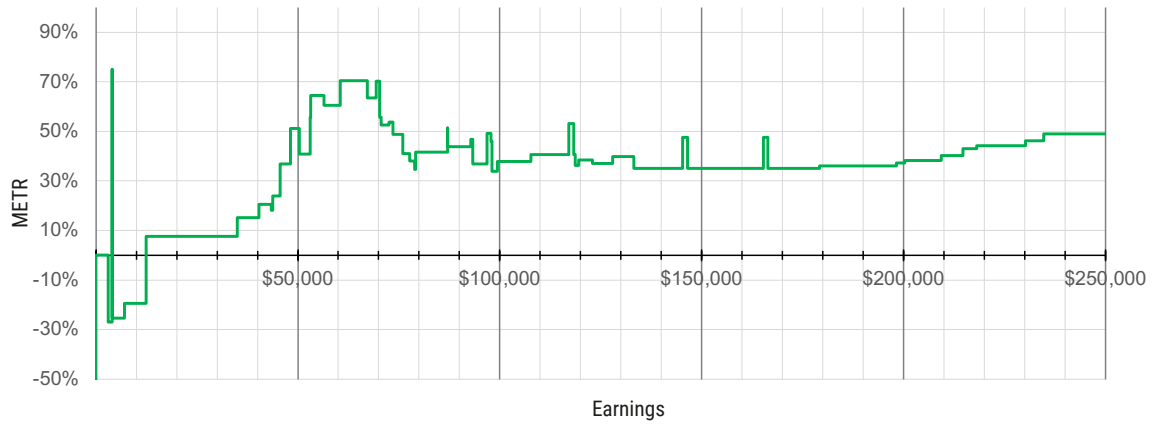
Source: Authors calculation using Statistics Canada's SPSPD/M.

Figure A5: Marginal effective tax rates (METRs), Quebec, 2023



Source: Authors calculation using Statistics Canada's SPSPD/M.

Figure A6: Marginal effective tax rates (METRs), Ontario, 2023



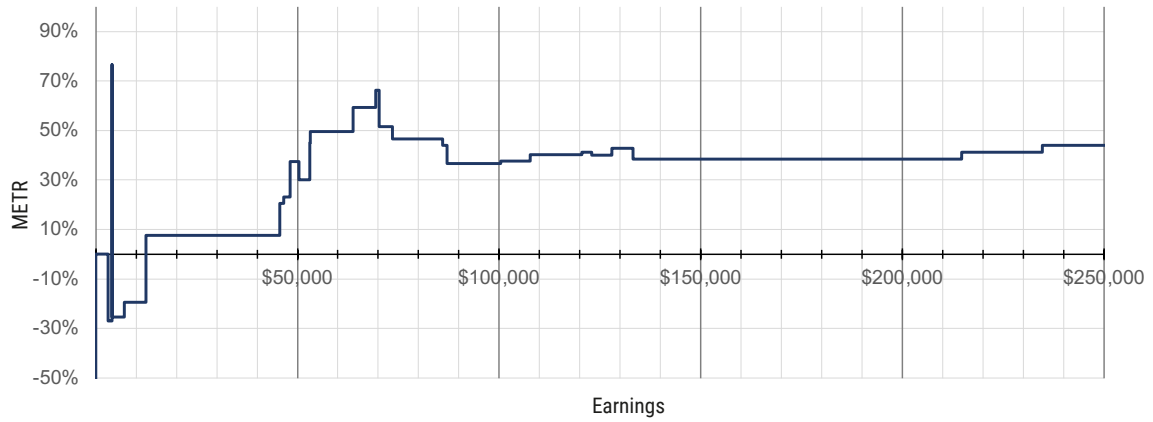
Source: Authors calculation using Statistics Canada's SPSPD/M.

Figure A7: Marginal effective tax rates (METRs), Manitoba, 2023



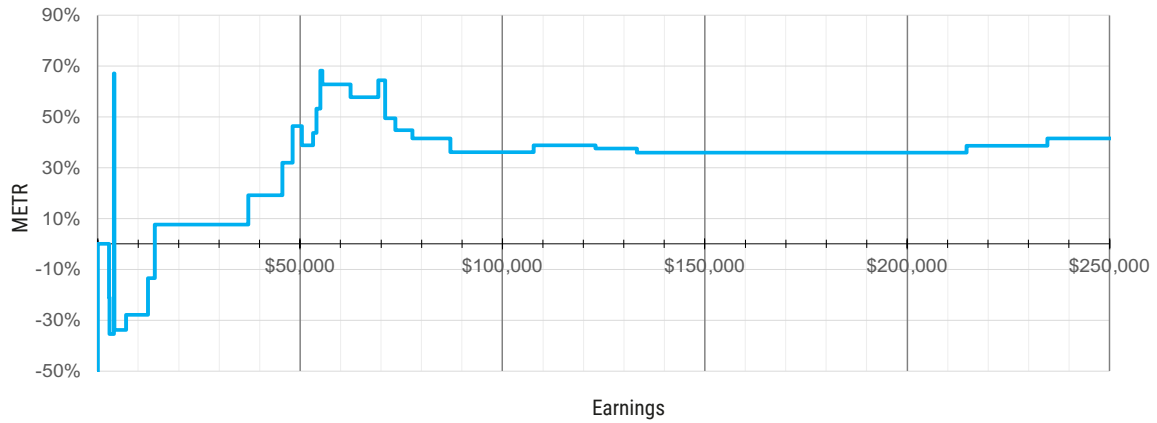
Source: Authors calculation using Statistics Canada's SPSPD/M.

Figure A8: Marginal effective tax rates (METRs), Saskatchewan, 2023



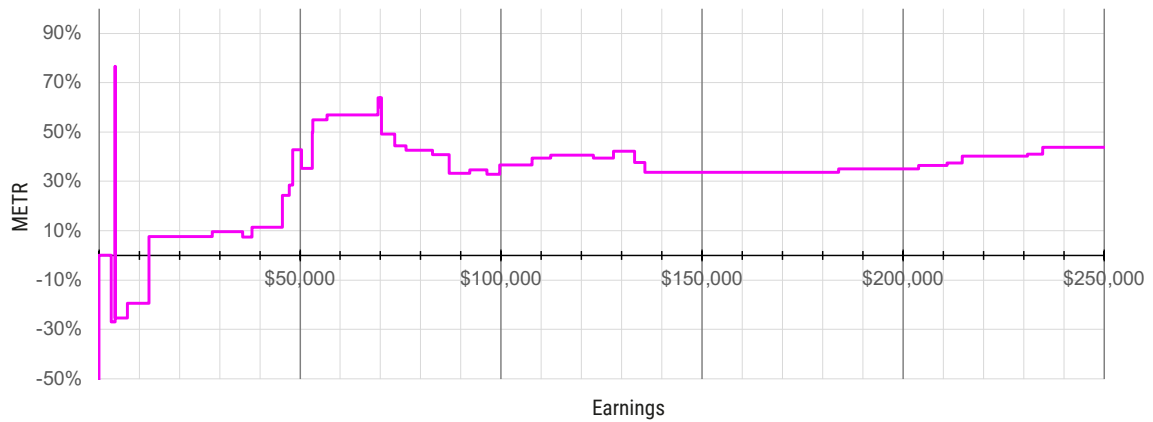
Source: Authors calculation using Statistics Canada's SPSPD/M.

Figure A9: Marginal effective tax rates (METRs), Alberta, 2023



Source: Authors calculation using Statistics Canada's SPSPD/M.

Figure A10: Marginal effective tax rates (METRs), British Columbia, 2023



Source: Authors calculation using Statistics Canada's SPSPD/M.

Appendix B: Additional Details on the Composition of Households

Table B1: Number of households, 2023

Total household market income	\$0–\$30,000	\$30,001–\$60,000	\$60,001–\$100,000	\$100,001–\$150,000	\$150,001–\$200,000	\$200,001–\$300,000	\$300,001–maximum	All
Newfoundland & Labrador	4,963	2,457	5,215	5,374	4,415	3,561	935	26,920
Prince Edward Island	1,133	1,023	2,096	1,768	984	398	149	7,551
Nova Scotia	7,542	8,839	9,513	9,691	6,316	3,683	815	46,399
New Brunswick	7,153	7,310	10,541	9,123	6,082	3,189	709	44,107
Quebec	50,224	54,742	80,721	96,906	69,475	50,431	16,912	419,411
Ontario	116,067	85,165	122,135	143,813	106,925	96,608	49,420	720,133
Manitoba	8,215	6,075	12,408	15,738	7,736	5,149	1,272	56,593
Saskatchewan	6,458	6,552	10,103	11,272	9,178	5,629	1,842	51,034
Alberta	17,793	16,468	35,594	45,933	28,678	26,524	11,404	182,394
British Columbia	16,420	15,050	25,054	49,888	39,499	27,364	16,034	189,309
All	235,968	203,681	313,380	389,506	279,288	222,536	99,492	1,743,851

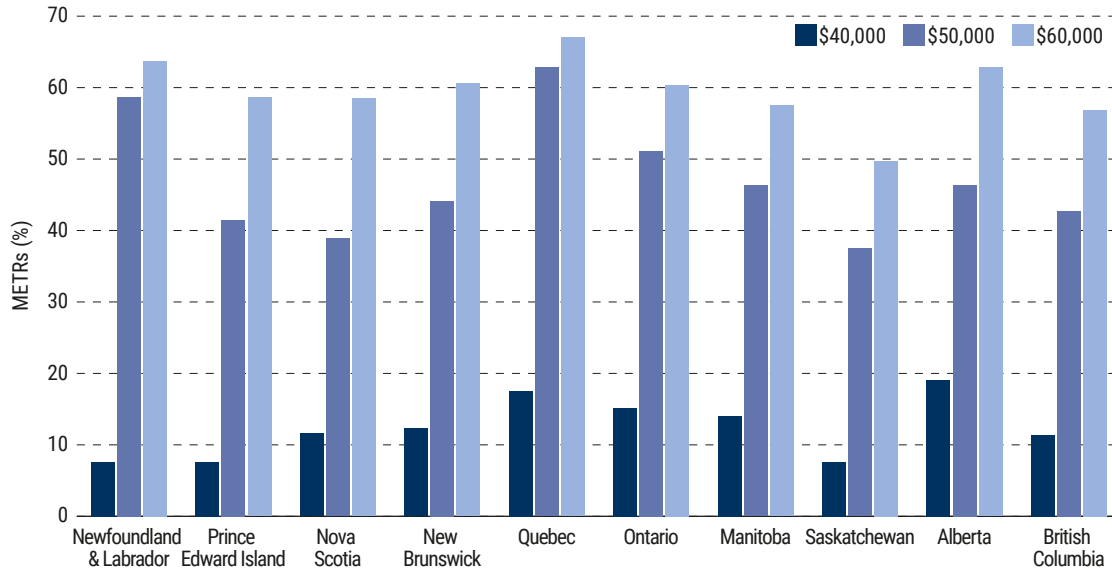
Source: Author's calculations.

Table B2: Average household earnings, 2023

Total household market income	\$0–\$30,000	\$30,001–\$60,000	\$60,001–\$100,000	\$100,001–\$150,000	\$150,001–\$200,000	\$200,001–\$300,000	\$300,001–maximum	All
Newfoundland & Labrador	8,846	42,259	72,489	124,809	170,190	235,580	347,390	115,586
Prince Edward Island	10,874	48,376	73,347	122,742	164,694	227,665	318,180	97,024
Nova Scotia	11,951	44,108	75,483	123,326	158,696	213,243	345,398	96,175
New Brunswick	9,801	44,319	78,551	120,371	163,939	220,625	349,784	96,785
Quebec	8,038	43,306	75,883	121,754	166,773	224,760	374,980	119,123
Ontario	6,869	45,025	76,596	119,294	167,958	224,728	429,398	127,800
Manitoba	6,847	40,824	78,323	120,421	165,038	218,912	371,495	106,864
Saskatchewan	6,318	42,320	71,837	113,772	151,041	220,961	318,354	108,609
Alberta	12,872	39,613	67,906	111,015	157,115	218,442	364,086	125,275
British Columbia	11,121	36,804	76,102	120,566	157,823	209,494	374,494	140,664
All	8,162	43,224	75,243	119,196	164,207	221,813	398,824	123,657

Source: Author's calculations.

Figure B1: Variations in METRs across provinces and income levels, 2023



Note: Values in this graph represent the same base-case family and results used to graph the METR curves in Appendix A. The graph is simply intended to highlight the METRs faced by lower-income families and compare these values across provinces.
 Source: Author's calculations.

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