

Globalization Partners provides [employer of record services](#) for clients that want to hire employees and run payroll without first establishing a branch office or [subsidiary in Canada](#). Your candidate is hired via Globalization Partners' Canada PEO in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company's behalf exactly as if he or she were your employee to fulfill your in-country requirements.

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Our Global Employer of Record Platform™ and Global PEO service enables clients to run payroll in Canada while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, statutory and market norm benefits, and employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in Canada.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You'll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in 170 countries around the world, quickly and painlessly.

## Hiring, Negotiating and Doing Business in Canada

Despite the fact that Canada is economically primed for FDI and major growth, making a direct-hire there can be painful from an administrative perspective. Assuming that the process for hiring and setting up a payroll will be fairly straightforward, many organizations quickly discover that [the labor legislation creates a series of complications that aren't easy to overcome](#).

Labor legislation is onerous in Canada. There is no such thing as “at will” employment in Canada. The intertwined federal and provincial legislation make it confusing to assess exactly which requirements to meet. Many US companies believe they can circumvent the red tape and hire employees as contractors. The Canadian government has very tight restrictions on the definition of an “independent contractor” and reclassification of the individual of an employee is a real possibility.

The operational word for hiring in Canada is provincial. Each province varies from the other as it relates to any number of employment aspects – withholding, social services and notice periods. Each province and territory in Canada has its own legislation as it relates to employment standards. Most employees in Canada (about 80%) are protected by the employment laws of their province or territory and the remainder are in jobs covered by federal law.

Canadian employees expect a Group Benefit Plan that is over and above the free coverage they get as Canadian citizens. Generally, a US company can only source those benefits if it has a head office in Canada or a signatory in-country. If a US organization pays Canadian employees directly, that company will be responsible for Worker’s Compensation and liable for the day to day management of employee health and safety – something difficult to do from across the border.

When negotiating terms of an employment contract and offer letter with an employee in Canada, it may be useful to keep the following standard benefits in Canada in mind:

## Canada Employment Contract

Factor in the time it will take to become familiar with provincial nuances for each hire. A written contract of employment is not required by law in Canada, however, it is strongly recommended. Most employers decide to enter into written employment contracts with employees to define the terms of the employment relationship. The primary restriction on the terms set out in an employment contract is that the minimum standards set out in employment standards must be adhered to.

Canada is a bilingual country with French and English speaking populations. With the exception of the province of Québec, there are no rules governing the language of employment contracts. In all provinces except Québec, employment contracts are most often drafted in English.

We recommend putting a strong employment contract in place, in the local language, which spells out the terms of the employee’s [compensation](#), [benefits](#), and termination requirements. An offer letter and employment contract in Canada should always state the

salary and any compensation amounts in Canadian dollars rather than a foreign currency. The employment contract template is part of the service with Globalization Partners; no need to draft a separate template if you use our employer of record and PEO service in Canada.

## Canada Working Hours

Employment standards legislation in each jurisdiction sets restrictions on working hours. Most jurisdictions limit the number of hours that can be worked in a week. In Ontario, for instance, an employer cannot allow an employee to work more than 48 hours a week without obtaining prior approval from the Director of Employment Standards. Regulations in each jurisdiction provide for exceptions to the maximum hours that can be worked in certain industries.

Although hours of work and overtime rules vary significantly across Canada, most jurisdictions have established an overtime rate equivalent to 1 and ½ times an employee's regular rate of pay. In Ontario, the entitlement begins at 44 hours; in Québec, it is 40 hours. Employers cannot refuse to pay overtime rates and cannot force workers to work excessive hours, nor can they fire workers or have them deported if they refuse or complain about overtime work.

## Vacation Leave in Canada

Most employees have the right to an annual paid vacation. In British Columbia, Alberta, Manitoba, Ontario, and Québec, employees must receive two weeks of paid vacation after completing one year with an employer. There are some differences across the country with respect to entitlements and eligibility. Most employers offer 2-4 weeks' paid vacation, depending on the type of company and the seniority of the employees. Typically, we would expect to see 3 to 4 weeks of vacation time (plus public holiday days) for most professional level positions. Use or lose it vacation is not allowed in Canada. By prior arrangement, an employee may agree with the employer to carry over up vacation into the next year. Untracked / unlimited PTO is extremely rare in Canada and brings with it some significant challenges.

## Canada Vacation Laws

Canada does not have a national policy for workers requiring five or fewer days off of work due to sickness. Canada's national social insurance does provide for long-term sick leave.

## Canada Maternity Leave

Every female employee in Canada who has completed six consecutive months of continuous employment and provides her employer with a certificate from a qualified medical practitioner certifying that she is pregnant, is entitled to maternity leave of up to 17 weeks. This leave may begin 12 weeks prior to the estimated date of the birth of the child and end no later than 17 weeks following the birth.

Both new parents have the right to take parental leave of up to 37 weeks for standard leave or up to 61 weeks (63 weeks in certain Provinces) for extended leave, both unpaid. A mother who takes pregnancy leave must begin her parental leave as soon as her pregnancy leave ends.

## Canadian Severance Laws

It is common for probationary periods to be put in place within Canadian employment contracts. The typical probationary period is 3 months. The maximum probationary period allowed depends on the province and generally range from 3 to 6 months. It should be noted that if an employer terminates an employee within the probationary period, the employee is entitled to severance pay.

Fixed-term employment contracts are permitted in Canada. However, courts and other adjudicators will conclude that a fixed-term employment contract is, or became, an indefinite term contract if, for example, the parties renewed the same fixed-term contract multiple times or if the employee continued working after the termination date specified in the contract.

Employers in Canada are required to provide employees with a reasonable notice of dismissal or payment in lieu of notice. Employment standards legislation in each jurisdiction mandates the minimum notice periods that employers are required to provide employees based on their length of service. However, under the common law and Québec civil law, employees are also entitled to a period of “reasonable” notice which usually exceeds the statutory minimum.

- In addition to length of service, “reasonable” notice is based on other factors, for example, the employee’s age, position in the company, and other factors relevant to the employee’s ability to secure new employment. Although employment contracts (or collective agreements) can specify notice requirements (or pay in lieu of notice) in cases of dismissal, the parties cannot contract for anything less than the prescribed statutory minimum.

In Federal and Provincial Jurisdictions, employees dismissed without cause may be entitled to severance payments in addition to notice of termination (or pay in lieu of notice). The Canada Labour Code (Federal Jurisdiction) provides that:

- Employees with 12 months of continuous service receive the greater of two days' wages at their regular wage rate for each completed year of employment or five days' wages at their regular wage rate.

The Ontario Employment Standards provides that:

- An employee with five or more years of service will be entitled to severance pay if the employer's payroll in the province is Can\$2.5 million or more or if the employer permanently discontinues the employment of 50 or more employees within a six-month period due to a permanent discontinuance of all or part of its business.
- Severance pay in Ontario is calculated by multiplying the employee's regular wages for a regular work week by the sum of:
  - The number of complete years of employment; and
  - The number of complete months of employment divided by 12 for a year that is not completed (partial year).
- The maximum amount of severance pay required to be paid under Ontario Employment Standards is 26 weeks.

## Canada Tax

The Canadian social security system incorporates federal law on welfare issues such as unemployment insurance and old age security with provincial policies, programs, and social services. Each province is responsible for its own social security system and has its own contribution rates. All employees in Canada are expected to make contributions to the social security system, typically deducted from their pay each month.

Canada has a progressive taxation rate system.

- The top federal tax rate for individuals in 2018 is 33%.
- Provincial tax rates apply in addition to the federal rate and vary by province.
- As of 2018,
  - Ontario's top marginal rate is 13.16%
  - Québec's is 25.75%
  - Alberta's is 15.00%.

On a federal basis in Canada, payroll taxes include contributions to the Canada Pension Plan and Employment Insurance.

- The maximum “pensionable earnings” for the Canada Pension Plan for 2018 is CAD \$55,900
- The maximum employee and employer contributions in 2018 is CAD \$2,593.80 each.
- The maximum “insurable earnings” for Employment Insurance purposes in 2018 is CAD \$51,700 (\$1.66 will be contributed by the employee for every \$100 of salary until that maximum is reached
  - for Quebec, it is \$1.30 for every \$100 of salary).

There are several child benefits available through the social security system, such as the Universal Child Care Benefit, Child Tax Benefit, and the Fitness Tax Credit.

A disabled person may be eligible for one of a number of benefits. There are some which are designed to help those with long-term disabilities and others which are for those who have a short-term injury which is causing problems with everyday living.

Employment insurance is one of the main benefits of the social security system. This is a temporary benefit which is paid out and covers any number of reasons why a person may not be in work and in need of financial assistance, so unemployment, maternity, sickness benefits and benefits for compassionate leave are all included under this title.

The Old Age Social Security (OAS) pension is paid out to those who are aged 65 and over. In order to claim this benefit, a person must satisfy certain requirements, some of those include: a person must have been a citizen or legal resident at the time the OAS pension application is approved, have resided in Canada for at least 10 years since the age of 18, as well as making the necessary contributions to the system. It is not essential for a person to give up work before they are able to claim this pension. In addition to this pension, there is the Canada Pension Plan which is another contributory scheme. From this, a person may also claim benefits for disability and survivor benefits.

## Health Insurance Benefits in Canada

The social security system provides workers and residents with most healthcare benefits. All residents have a Medicare card which entitles them to free healthcare in their province, including child care benefits. Some provinces make a separate charge for this system but others pay for it from taxation or contributions.

The Canadian health care system was built around the principle that all citizens will receive all “medically necessary and hospital physician services.” Each of Canada’s 10 provinces and three territories finance and run a statewide health insurance program. There is no cost-sharing for the health care services guaranteed under federal law. While Canadians are guaranteed access to hospital and physician services, it is up to each province to decide

whether to cover “supplementary” benefits, like dental care and drug coverage.

About two-thirds of Canadians take out private, supplemental insurance policies (or have an employer-sponsored plan) to cover these services. Doctors in Canada are usually reimbursed by the government at a negotiated fee-for-service rate. Many candidates today expect the company to offer supplemental benefits for private health insurance, dental and vision plans, income protection (disability) and life insurance.

## Additional Benefits in Canada

Employers often offer supplemental health and dental insurance and group savings plans.

## Canada Holidays

Canada celebrates both Federal and Provincial public holidays. There are 4 Federal public holidays that are celebrated nationwide for which employees are given paid days off, and the remainder are Provincial public holidays:

- New Year’s Day (National)
- Islander Day (PEI)
- Louis Riel Day (MB)
- Heritage Day (NS)
- Family Day (BC, AB, SK, ON, NB)
- Good Friday (National except QC)
- Easter Monday (QC)
- Victoria Day (National except NB, NS, NL)
- Aboriginal Day (NWT)
- St. Jean Baptiste Day (QC)
- Canada Day (National)
- Civic Holiday (AB, BC, SK, ON, NB, NU)
- Labour Day (National)
- Thanksgiving (National except NB, NS, NL)
- Remembrance Day (National except MB, ON, QC, NS)
- Christmas Day (National)
- Boxing Day (ON)

## Why Globalization Partners

Establishing a branch office or subsidiary in Canada to engage a small team is time-consuming, expensive and complex. Canadian labor law has strong worker protections,

requiring great attention to detail and an understanding of local best practices. Globalization Partners makes it painless and easy to expand into Canada. We can help you hire your candidate of choice, handle HR matters and payroll, and ensure that you're in compliance with local laws, without the burden of setting up a foreign branch office or subsidiary. Our Canada PEO and [Global Employer of Record Platform](#) provides you peace of mind so that you can focus on running your business.

If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring employees in Canada, please [contact us](#).

[Request a Proposal](#)