

EXECUTIVE SUMMARY

Canada, like other OECD nations, is working to improve the efficiency and effectiveness of its policies for persons affected by sickness and disability. The employment picture for these persons is poor and as in other countries, this is associated with a heightened risk of being in or close to poverty and dependent on disability and other social welfare payments. The fall in labour demand since the start of the current economic downturn is especially concerning for such persons because they were already having difficulty finding work in the earlier part of this decade when the Canadian economy was growing strongly.

A review of the Canadian system indicates that many of its employment and other social supports and benefits for persons with disabilities are restrictive and complex, and therefore difficult to access. Policy makers must overcome a number of systemic problems that underpin the outcomes in Canada:

- Policy making in silos, together with poor co-ordination between federal and provincial governments in their respective administration of employment supports and benefits;
- A *system* rather than a *client* focus in operational policy making that has produced a fragmented array of benefits and employment services that are difficult for clients to navigate and access; and
- Too little systematic early identification and intervention to prevent the labour market detachment that often precedes long-term benefit dependency.

Though federal and provincial programmes increasingly include various supports for persons with disabilities to find or maintain employment, more could be done at the policy and programme levels. In particular, in many programmes there is currently no obligation for persons with disabilities who are able to work to seek work or participate in active labour market programmes or other activities that would improve their employability and their chances of finding work. Policy emphasis needs to further shift in a concerted way beyond a focus on social protection if persons with unused work capacity are to receive the support that they need to join the labour market in larger numbers.

The Canadian system would benefit greatly from structural and institutional reform. In a confederation like Canada, it is difficult to measure the impacts of sickness, disability and work programmes and regimes on persons with disabilities. The separation of powers between the federal and provincial governments leads to a decentralisation of information. Each jurisdiction is accountable to its own parliamentarians and population. The absence of more transparent and standardised provincial programme outcome reporting has been a long-standing issue. There is no yardstick to tell what is or is not working. Under the model prescribed in its present Constitution, the federal government has no formal authority to monitor the performance of provinces for this purpose, even when it disburses funds to the provinces to help persons with disabilities. Indeed, previous attempts of the federal government to monitor outcomes have not

been very successful and at times only mired the relationship with provincial governments, which are concerned about the possibility that such attempts may impair the independence of the provinces. Monitoring responsibility would seem to fall instead to scholars and advocacy groups who, as provincial constituents, have an inherent right to demand this information on behalf of their communities. However, these organisations are not sufficiently resourced to perform this policy outcome and accountability monitoring role in their respective regions and for Canada as a whole. There are also no fora for disseminating information and engaging public debate so there is tangible public expectation that outcomes for persons with disabilities must be improved.

One aspect in which other OECD countries might envy Canada is the relatively low number of working-age people receiving a public disability benefit, 4.4-4.8% depending on province when taking into account both federal disability insurance and provincial social assistance with a disability designation. This number is below the OECD average of 6% and, contrary to many other countries, has not increased much in the past two decades. The reasons for this are manifold and include tight and effective policing of entry into long-term disability-type benefits but also the relatively greater role played in Canada by (provincial) workers' compensation and private disability insurance. However, stringent gate-keeping of benefit schemes may also come with a high rate of social exclusion. There may be as many as one in five persons with disabilities in Canada receiving no public benefit despite not being employed, and the average income of this group is relatively low. There needs to be a better understanding of who these persons are and how public policies can best address their needs.

Exclusion and coverage is also an issue for short-term illness and disability. The tightening of eligibility criteria in federal Employment Insurance (EI) has created gaps in coverage so that only workers with significant attachment to the workforce receive sickness benefits, and then only for a relatively short period of 15 weeks. Except for Quebec, workers who cannot accumulate enough insurable hours of work are excluded from this short-term income protection when they are injured or fall ill and may also not be able to avail themselves of EI-funded employment supports. They may be able to access similar active labour market measures (provincial/territorial and/or federal) that do not require EI-eligibility, but it is hard to find any evidence whether such measures are indeed supplied to a sufficient extent. Underemployed, new workers, part-time workers, precarious workers and the self-employed are particularly vulnerable in this regard.

The plethora of benefits and employment supports for persons with disabilities is complex and has often come about as a result of federal and provincial attempts to address gaps in core federal insurance programmes that cannot easily be amended. As a result, a typical recipient has to switch repeatedly between federal and provincial authorities and payments, e.g. first onto federal sickness benefit for 15 weeks, then onto provincial social assistance before or while applying for a federal disability benefit, and then back to social assistance if such an application fails. The benefit setup in principle allows combining two or more federal, provincial or private insurance payments, the level of each of which is relatively low. Such, one benefit is typically not enough to generate sufficient income. Yet the reality for three-quarters of all beneficiaries with disability is to receive only *one* payment as benefit stacking remains limited given a range of programmes with different objectives.

The problem with such a multitude of programmes and supports is that they are developed and administered in federal and provincial/territorial silos. A solution could be to have these administered by a "one-stop-shop" entity that could act on behalf of both levels of government, recommending an optimum package of federal and provincial/territorial benefits

and providing referrals to various social and employment support providers. The progress shown by Service Canada in delivering on behalf of a number of federal departments suggests it could perform this role, but because it is an initiative of the federal government, such a role could only be achieved in consultation with provincial and territorial governments. Alternatively, as modelled in the development of general labour market programming in Canada, provincial and territorial governments could ask the federal government to direct the regional funds for Service Canada to them to develop a one-stop-shop agency under provincial control. A less comprehensive strategy as a first step into this direction would be better collaboration and information sharing across government boundaries, possibly in shared premises.

Even with better co-ordination, there is considerable room for streamlining by making provinces fully responsible for all employment measures and programming. By handing over the remaining federal employment programmes and possibly also the client administration of the federal sickness and disability benefit schemes to the provinces, the responsibility and spotlight falls squarely on the latter to deliver. With both the federal and provincial governments involved as is the case now, the ultimate accountability to the clients for policy performance and outcomes is divided and often blurred between the federal and provincial governments.

Though Canadian scholars and advocacy groups have expressed longstanding concerns about the lack of equity in services and supports across Canada, such an aspiration does not necessarily go hand in hand with the provincial autonomy guaranteed by the Constitution. Regarding persons with disabilities, each province has its own objectives and no formal responsibility for improving outcomes beyond its borders. Through its redistribution of income taxes, the federal government indirectly helps to ensure that no province or territory falls too far behind due to a lack of revenues. But that seems the absolute extent of its ability to act in this regard.

Despite recognising the high value of the labour market contribution of persons with disabilities, the focus of many existing policies and processes tends to remain on what these people *cannot* do – rather than on what meaningful work they can do. There would be a number of financial advantages in turning the current assessment paradigm on its head. People with reduced work capacity who are ineligible for employment supports often struggle to find work and end up living in or close to poverty, requiring provincial social assistance and failing to contribute their labour to the economy. Strong financial incentives are needed to get such people back to work. Opening access to employment support services to all people with reduced work capacity in need of support, irrespective of whether or not they receive a benefit (as in British Columbia) and regardless of their employment status would also send an important message.

Across OECD countries, the likelihood of permanent labour market exit rises exponentially with duration away from work. A much neglected area of disability policy in Canada therefore concerns the role of employers who are uniquely well placed to help preventing and managing sickness and injury absences that lead to the slippery slope of long-term disability. There are few formal requirements on employers and also insufficient supports to help them in this regard. A worker with a health problem or disability will often require more management input and support. Under the current system, the labour market incentive typically is for an employer to facilitate such a person's exit (so they can be replaced by a fully fit and able worker) rather than prevent them from leaving work. Hence, consideration could also be given to experience-rated funding of parts of federal sickness and disability benefit premiums, mirroring similar mechanisms in private disability benefit

plans. Better connecting employers with private insurers so that private plans can include effective disability management similar to what is available in workers' compensation schemes (e.g. early follow-up after around two weeks) would also be useful.

Keeping people attached to the labour market is a core strategy for prevention in many OECD countries, but policies of this type are far from universal in Canada. There is a corresponding gap in proactive services or early identification and interventions for keeping people in work. The complexity of the current system means it is difficult for people to access and finding help can take a while by which time many affected persons are invariably detached from work. Again, this is another by-product of the more insidious problem of focusing assessment on disability rather than capacity. The longer someone is out of work, the more their work-readiness, confidence and skills deteriorate – that is, the more disabled they become. Focusing on disability does not require early assessment as this rarely improves of its own accord. On the other hand, focusing on what people can do requires early assessment and intervention to retain and strengthen their remaining work capacity so that they have the best chance of staying in, or returning to, work.

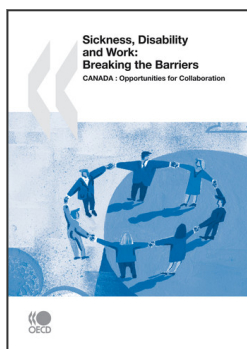
Box 0.1. Summary of the main OECD recommendations to push ahead with structural reform to the disability policy system

Broad policy conclusions	Policy recommendations
1. Make the system of federation work for persons with disabilities	<ul style="list-style-type: none"> • Clarify the roles of the different government layers; • Promote good-practice learning across provinces.
2. Move towards a client-oriented framework	<ul style="list-style-type: none"> • Promote one-stop-shop service delivery via Service Canada or provincial counterparts; • Implement systematic case management.
3. Improve programme coverage and benefit take-up	<ul style="list-style-type: none"> • Better align benefits to tackle coverage issues and where appropriate, promote benefit stacking; • Increase the take-up of employment and labour market programmes; • Move towards a mutual-responsibility framework.
4. Promote early intervention and access to supports	<ul style="list-style-type: none"> • Strengthen the early identification of problems in federal insurance programmes; • Make sure that provincial employment support reaches people earlier.
5. Strengthen the broader system to work more efficiently	<ul style="list-style-type: none"> • Strengthen the key role of employers and private disability benefit plans; • Continue the move from output to outcome-based funding of services.

Canada is gradually moving towards *outcome*-based (away from *output*-based) funding of employment services. Experiences from other countries suggest that outcome-based funding helps to better align expenditure with policy intent. There is still room to go much further in this direction. At the same time, the problems arising for providers due to the

multiplicity of funders and reporting requirements will need to be addressed. The next steps should be to strengthen emphasis on long-term employment outcomes; to encourage in-the-job support for those still employed (building upon and going beyond federal/provincial disability management and workplace health and safety initiatives); and to develop on-the-job and follow-up support so as to help those with a broader range of needs including ongoing episodic health problems.

A lesson of the thematic review of disability policy in OECD countries is that reforms which are not rooted deeply in a country's reality are invariably going to be unsuccessful. This would seem particularly so in the case of Canada. The conditions created by its constitutional federation require ongoing dialogue with all major stakeholders for the development and implementation of reforms that really take hold. The process used to arrive at the landmark *In Unison* agreement, the last major bi-partisan shift in this policy area, shows that meaningful advances are possible. However, the time for the next iteration of such a national agreement is now well overdue.



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