

CHAPTER 1. SETTING THE SCENE

1.1. Key trends and outcomes

At this moment, countries around the world are urgently seeking ways to manage the ongoing economic crisis and to respond to widespread associated job cuts which are dominating the headlines. Unemployment has risen fast during the recent downturn in many countries, including Canada, with the average OECD unemployment rate projected to reach almost 10% by end-2010.¹ After a period of steady economic growth and falling unemployment for almost 15 years, this marks a major turning point. In Canada, the unemployment rate in 2007 stood at 6% – its lowest level since the early 1970s. At the time of the writing of this report, the unemployment rate stood at 8.7%. It is too soon to assess the full impact of the crisis on the labour market but early evidence suggests that the most vulnerable segments of the labour force are being hit hardest. This includes those who entered the labour market recently, but also people with reduced work capacity. There is a risk that the use of sickness and disability benefit schemes will go up, as has happened in similar situations in the past. This is more likely in countries which have not undertaken structural reforms to their sickness and disability benefit schemes, especially if they reformed their unemployment insurance and assistance schemes with the aim of cutting structural unemployment.

These global factors have to be kept in mind when reading the subsequent section on key trends and outcomes of sickness and disability policy, which refers to the past 15 years or so up until 2007, *i.e.* immediately *prior* to the crisis. Some trends will not reflect the immediate reality while others will continue and yet others might well get worse in the course of the crisis.

A. *Where Canada stands*

Alongside immediate concerns about rising unemployment, many OECD countries have and continue to face increasing challenges in improving outcomes for persons affected by sickness and disability. Low employment rates of people with health problems, disability and reduced work capacity and the large and increasing numbers of people relying on long-term sickness and especially disability benefits are major policy concerns across the OECD.

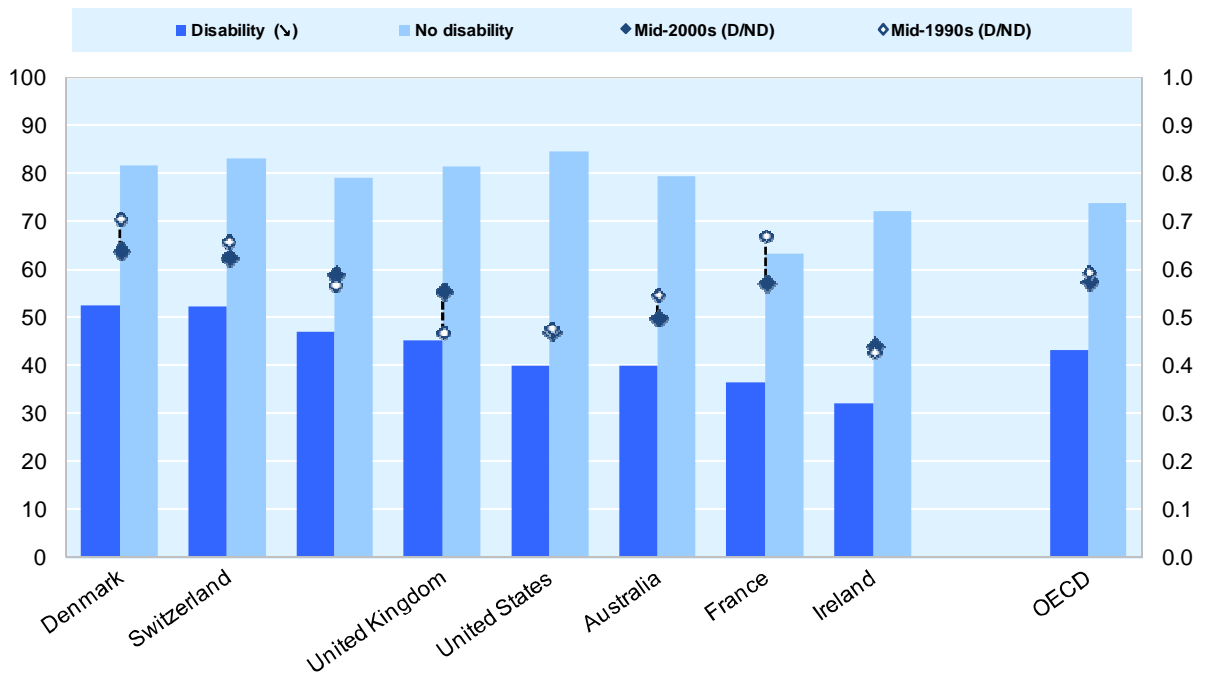
How Canada compares to the rest of the OECD in this regard is looked at in this section in relation to outcomes observed in a number of other OECD countries that are comparable in various respects to Canada: the other major non-European English-speaking countries, Australia and the United States, two big and culturally-closer European countries, France and the UK, and three small open economies in Europe, Denmark, Ireland and Switzerland. In a number of key areas, Canadian outcomes are on par with or slightly better than elsewhere, but in other areas the picture is not as good.

1 . Canada has shown signs of economic and employment recovery over recent months.

First, at almost 47% in 2006, the employment rate of persons with disabilities in Canada is consistent with the low level seen across a range of OECD countries although Canada seems to belong to the better-performing countries (Figure 1.1). Moreover, similar to the United Kingdom but unlike most other OECD countries, this rate has increased by 3 percentage points over the period 2001-06 so that relative to persons without disability employment rates have also improved slightly.² This suggests that – persons with disabilities might have benefited somewhat from the steady economic growth in the earlier part of this decade. What this will imply for the near future remains to be seen in view of the current economic downturn that is likely to hit vulnerable groups such as persons with disabilities harder than the rest of the population.

Figure 1.1. **Persons with disabilities are far less likely to be employed all over the OECD**

Employment rates by disability status in the mid-2000s (left axis) and trends in *relative* employment rates of persons with disabilities over those without over the past 5-10 years (right axis)



Note: Throughout the report, the arrow in the legend of the figure (↘) relates to the variable according to which countries are ranked in decreasing order from left to right; OECD refers to an unweighted average for 27 countries for employment rates and 19 countries for trends in relative employment rates.

Source: Australia: SDAC (Survey of Disability, Aging and Carers) 2003 and 1998; Canada: PALS (Participation and Activity Limitation Survey) 2006 and 2001; Denmark: LFS 2005 and 1995; France and Ireland: EU-SILC 2005 (Wave 2) and ECHP 1995 (Wave 2); Switzerland: LFS 2005 and 2003; United Kingdom: LFS 2006 and 1998; United States: SIPP (Survey of Income and Program Participation) 2004 and 1996 (waves 4 core data).

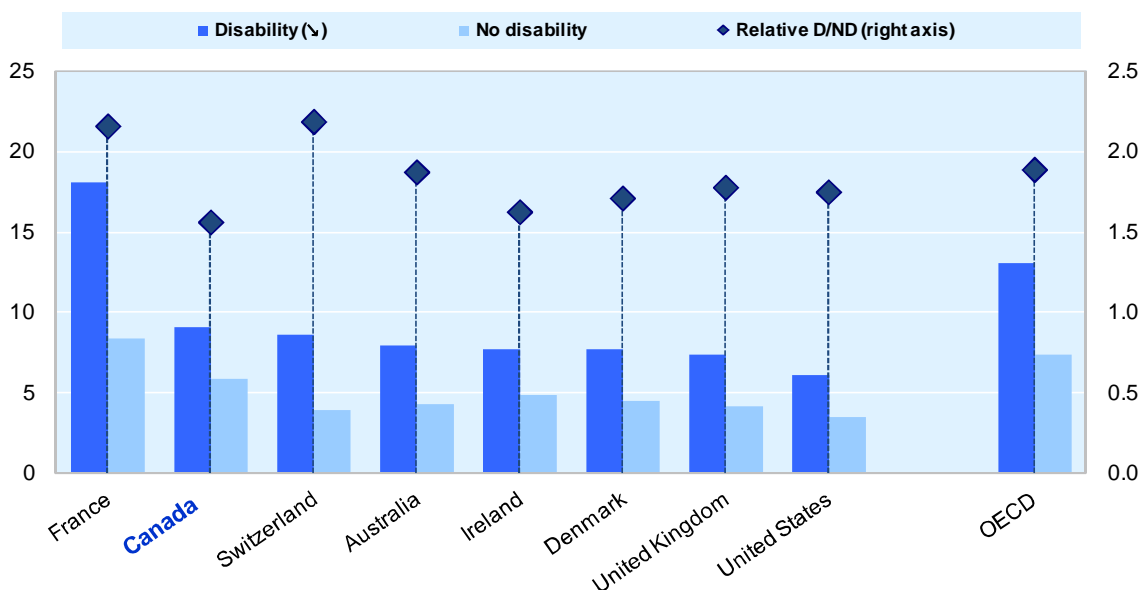
- The data reported here are based on PALS (Participation and Activity Limitation Survey) which uses a definition of self-assessed disability that is similar and thus comparable to that used internationally. Labour force status is also constructed so to be comparable with surveys for other countries. Using PALS with a broader labour force variable or, alternatively, using other data sources for Canada with a broader disability definition, such as SLID (Survey of Labour and Income Dynamics), result in an employment rate for persons with disabilities at around 57%.

Secondly, unemployment rates of persons with disabilities in 2006 were 50% higher than for Canadians without disability. However, both the unemployment rate of persons with disabilities and their disadvantage relative to their non-disabled peers are not particularly high compared with other OECD countries where these rates are often twice as high as for the general population (compared with 1.6 times in Canada). Hence, in this regard outcomes are worse in a large number of OECD countries, including France in particular, though most of the countries chosen as benchmarks do slightly better than Canada (Figure 1.2).³ From 2001 to 2006, unemployment rates have fallen in Canada for both groups but, again, less so for persons with disabilities so that their relative disadvantage has increased.

Note that the lower participation in the labour market by persons with disabilities is in part a function of their lower level of education: only 75% completed high-school compared to 86% among the population without disability. Statistics Canada data from the 2006 census indicate that persons with disabilities who do not complete high-school are also much less likely to be in work.

Figure 1.2. **Persons with disabilities are almost twice as likely to be unemployed, even in good times**

Unemployment rates by disability status (left axis) and *relative* unemployment rates of persons with disabilities over those without in the mid-2000s (right axis)



Source: See sources for the mid-2000s in Figure 1.1.

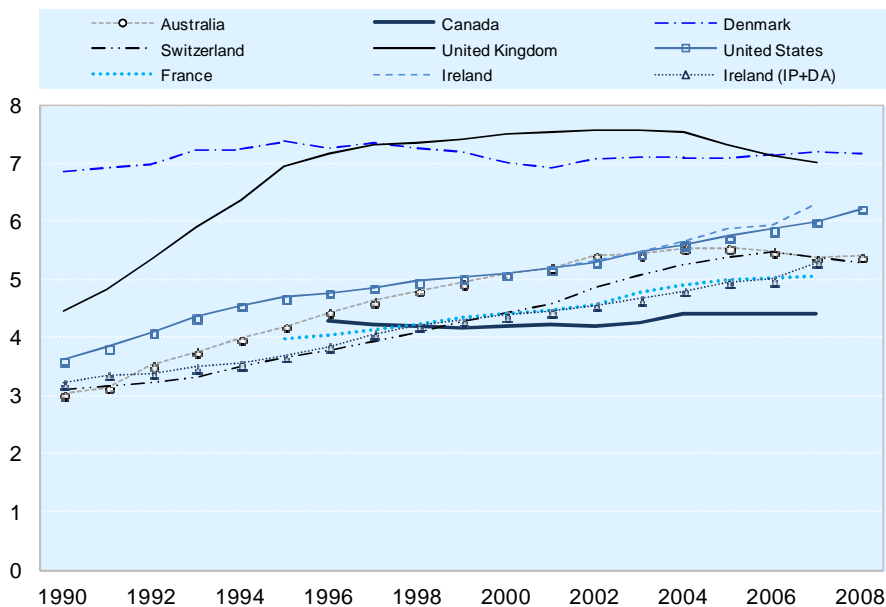
3. Unemployment rates reported here are again based on PALS. SLID-based estimates suggest a lower relative disadvantage of persons with disabilities in Canada. That said, unemployment rates for persons with disabilities and their trend over time ought to be interpreted with caution in view of the higher inactivity rate of this group and the greater volatility of their labour market behaviour in response to the business cycle. In bad economic times people with disability are probably more likely to be discouraged and to leave the labour force altogether whereas in good times some of them might be attracted back to the labour force and start seeking work actively, thus, pushing up their unemployment rate.

A major concern in many OECD countries recently is the large and/or increasing numbers of working-age people who receive a disability benefit; a benefit which is permanent in most cases. Across the OECD, in 2007 some 6% of 20-64 year olds received a disability benefit – a figure which exceeded the rate on unemployment benefits, prior to the crisis. The share of people on disability benefits is as high as 10% or more in some northern and eastern European countries and some 7-8% in Denmark and the United Kingdom. Other countries are concerned about the rapid increase in this share over the past 15 years; this is true for the remaining benchmark countries: Australia, France, Ireland, Switzerland and the United States (Figure 1.3).

How does the situation in Canada compare? At around 4.5% of the working-age population in 2007, dependence on disability benefits (including federal contributory and provincial non-contributory payments) is significantly below the OECD average and indeed lower than in most OECD countries.⁴ Moreover, since 1996 this rate remained largely constant. Hence, contrary to the large majority of OECD countries, the disability beneficiary rate always was and still is lower than the unemployment rate. The gradual “medicalisation” of labour market problems observed in most countries (see also OECD, 2009) is, therefore, less evident in Canada. This suggests that access to public disability benefit schemes is pretty tight, and has remained tight in the more recent past; a fact which is partly mitigated by private disability benefits which play a more important role in Canada than in several other OECD countries.

Figure 1.3. **Stable public disability benefit recipiency rates in Canada**

Percentage of the working-age population (age 20-64) receiving public disability benefits, 1990-2008



Note: Includes all contributory and non-contributory *disability* benefit schemes and takes account of the overlap between different benefits. Sickness benefits (such as EI-SB) are not included. For Canada, the figure includes recipients of the following payments: Canada Pension Plan Disability, Québec Pension Plan Disability and Social Assistance with a disability designation from *all* provinces and territories. For Ireland, the shorter series includes Invalidity Pension, Disability Allowance and Illness Benefit over two years, while the longer series covers Invalidity Pension and Disability Allowance only.

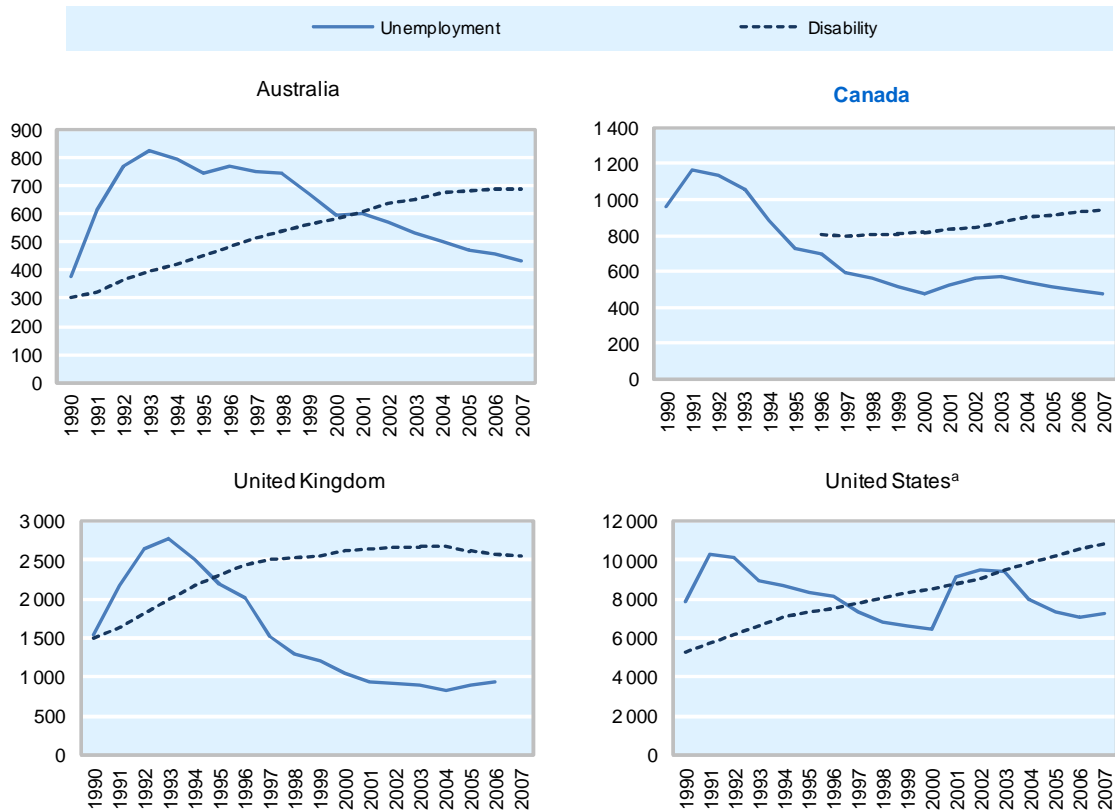
Source: Administrative data provided by national authorities.

4. Sickness absence levels in Canada are also relatively low in an OECD perspective, partly because of the short benefit payment period, though levels have continuously gone up due to an increase in the number of absences lasting more than ten weeks.

This conclusion is less evident, however, when comparing levels and trends in recipients of unemployment and disability benefits. Due to the large number of unemployed Canadians not entitled to unemployment benefit (Chapter 2), like elsewhere more people of working-age receive disability than unemployment benefit. Moreover, also in Canada the fall in unemployment beneficiaries in the past decade could be related to the increase in disability benefit rolls – even if “substitution” of this kind is less evident than in some other countries, e.g. Australia (Figure 1.4).

Figure 1.4. **The drop in unemployment coincided with an increase in disability benefit rolls**

Current recipients of unemployment and disability benefits, 1990-2007, in thousands



a) Unemployment data for the United States refers to the total number of recipients over the year. Data prior to 2000 have been spliced with stock data in order to prolong the series. Figures include the same disability benefits as in Figure 1.3.

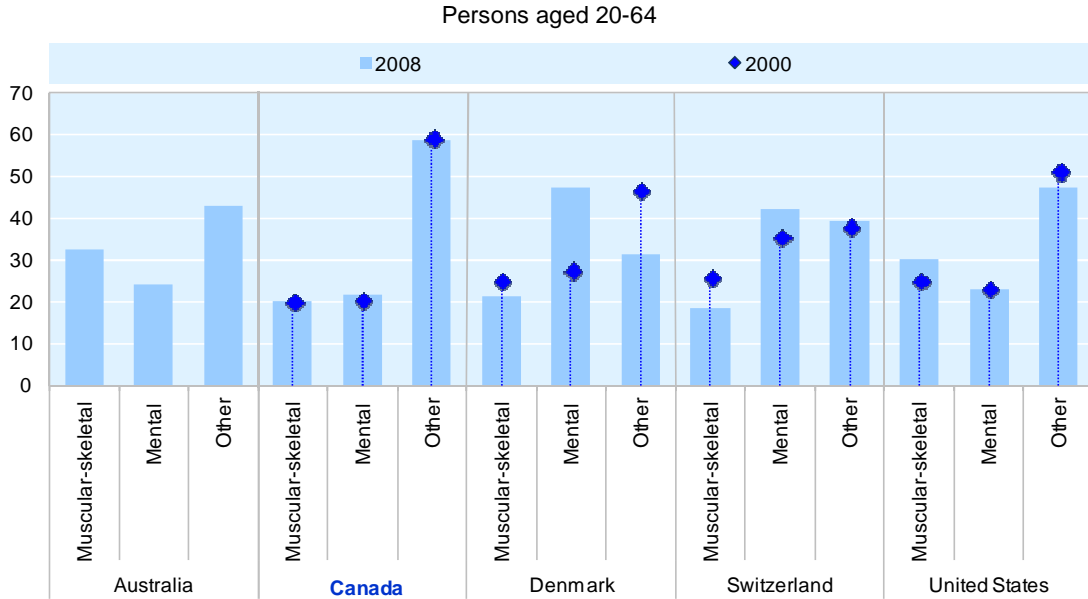
Source: Administrative data provided by national authorities.

One of the other key trends in recent years in many OECD countries is the rapid increase in mental health problems as a cause for entry into disability schemes. This also seems less pronounced in Canada. The share of mental illness in new benefit claims is around 20%, which is much lower than observed elsewhere (e.g. 30% in Australia and the United States and over 40% in Denmark and Switzerland). Moreover, contrary to some other countries, this share has not increased since the turn of the century (Figure 1.5). However, a note of caution is indicated: for Canada (like for the United States), this figure refers to the contributory disability benefit schemes (CPP-D, Canada Pension Plan Disability Benefit) and QPP-D (Québec Pension Plan Disability Benefit) only; some limited evidence available suggests that the share

of mental illness in new claims might be somewhat higher for the provincial non-contributory schemes, as is also found in other countries. Moreover, despite little change recently in the share of mental health conditions in new CPP-D/QPP-D claims, their share in the total number of beneficiaries has also increased in Canada (and now stands at around 27%). This is explained by the younger average age and, therefore, longer duration on benefit of those with a mental health problem.

Figure 1.5. **More and more inflows into disability benefit because of mental health conditions**

Inflows into disability benefit by health condition as a percentage of all inflows, 2000 and 2008^a



a) Data refer to 2001 and 2007 for Canada. Data for both Canada and the United States refer to the contributory disability benefit scheme only.

Source: Administrative data provided by national authorities.

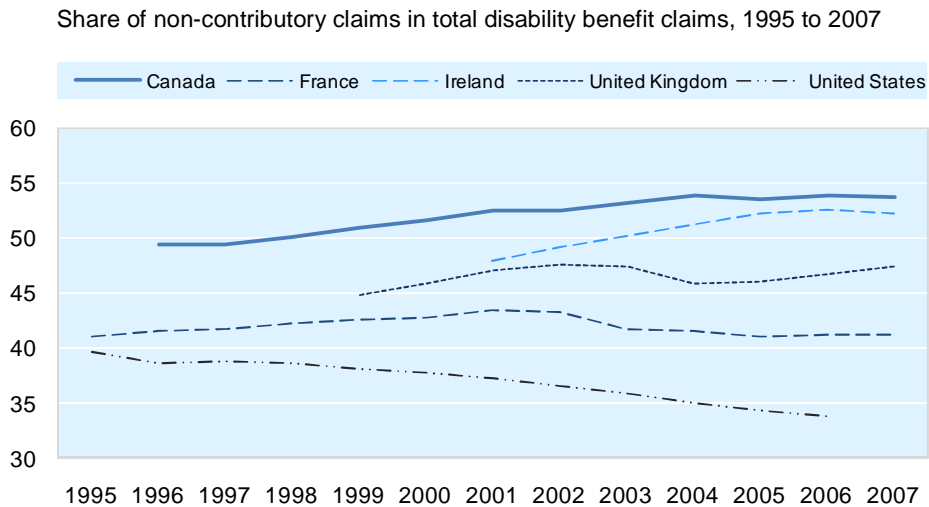
Other OECD trends such as the gradual shift in many countries from contributory (or insurance-type) to non-contributory (or assistance-type) benefits are also observable in Canada. Indeed, while the overall share of people on disability benefit rolls has changed little, a more detailed inspection shows that, for Canada as a whole, the share of those on non-contributory provincial social assistance payments has increased from below 50% in the mid-1990s to almost 55% a decade later (Figure 1.6). This is a very high share by international standards.⁵ A similar trend is observed in Ireland and the United Kingdom, whereas the United States has seen a fall in the share of non-contributory payments.

Maybe the biggest challenge in Canada is the high risk of relative income poverty of persons with disabilities, one-third of who have incomes below 60% of the household-size-adjusted median disposable income (Figure 1.7). This is one of the highest proportions in the

5. Such trend could, for instance, result from a decrease in the number of workers collecting sufficient contribution years to qualify for insurance payments (CPP-D and QPP-D). However, in 2008 eligibility for CPP-D was broadened to allow more long-term contributors to apply; temporarily, this is likely to lead to a trend in the opposite direction.

OECD, with only Ireland (with 37%) and Australia and the United States (with around 45%) having higher poverty rates for persons with disabilities. These rates are much lower in France and Switzerland, although also in those countries, similar to Canada, the poverty risk of persons with disabilities is some 60-80% higher than for those without disabilities. Other OECD countries, such as the Netherlands and Sweden, have poverty rates for this group as low as 10% and no higher than for the total working-age population (OECD, 2009).

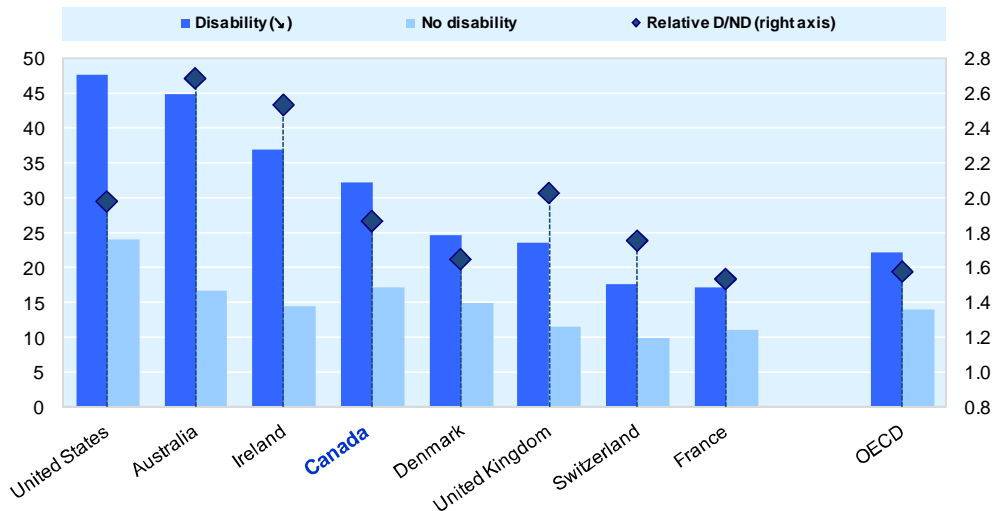
Figure 1.6. **A shift towards assistance-type payments in Canada but not in the United States**



Source: Administrative data provided by national authorities.

Figure 1.7. **Persons with disabilities are at greater risk of living in or near poverty**

Poverty rates^a by disability status (left axis) and *relative* poverty risk of persons with disabilities over those without (right axis), mid-2000s



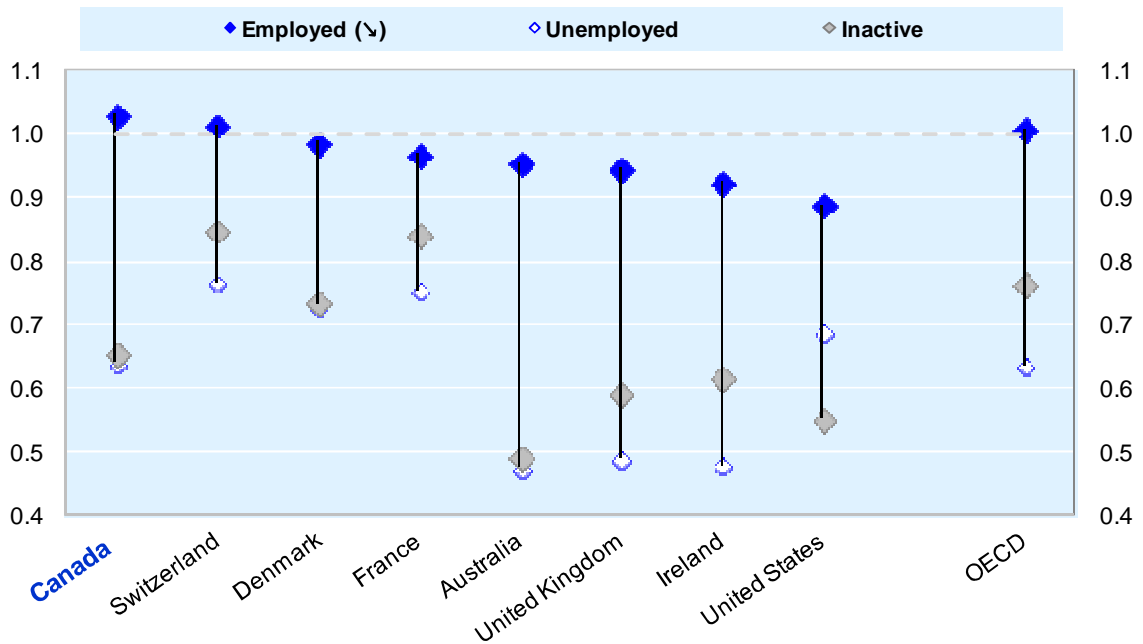
a) Poverty rates: percentages of disabled persons living in households with less than 60% of the household-size-adjusted median disposable income.

Source: Australia: SDAC (Survey of Disability and Carers) 2003; Canada: SLID (Survey of Labour and Income Dynamics) 2005; Denmark: SFI database 2005; France and Ireland: EU-SILC 2005; Switzerland: SHS (Swiss Health Survey) 2002; United Kingdom: FRS (Family Resource Survey) 2004; United States: SIPP (Survey of Income and Program Participation) 2006.

The high relative income poverty in Canada results partly from the employment and beneficiary levels and trends described above, but also from low per-capita incomes⁶ of those not employed (Figure 1.8). The same conclusion can be drawn for the other English-speaking countries (Australia, Ireland, United Kingdom, United States), but not for the remaining benchmark countries in which incomes vary much less by labour force status. On the contrary, persons with disabilities who are employed have personal incomes above that of the total working-age population in Canada.

Figure 1.8. **Incomes of non-employed persons with disabilities are very low in English-speaking countries**

Income^a levels of persons with disabilities by labour force status, as a ratio of the average income of the entire working-age population, mid-2000s



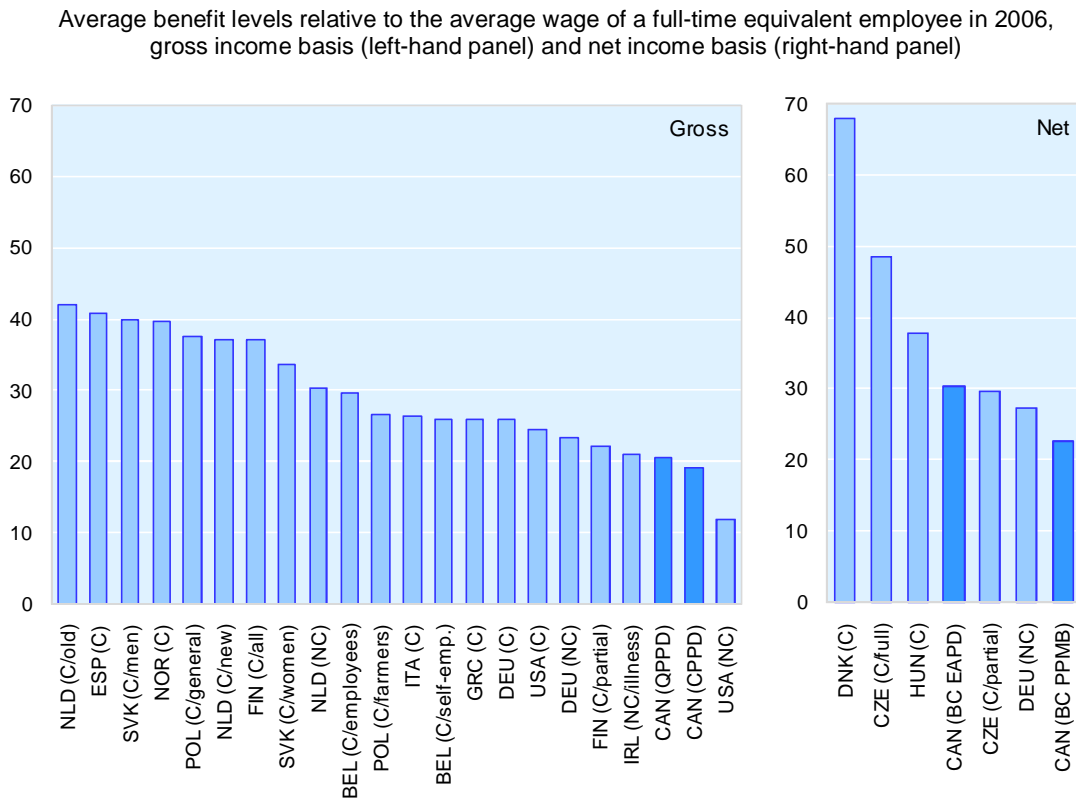
a) Income refers to household-size-adjusted disposable household income per person.

Source: See source in Figure 1.7.

Low per-capita incomes of those not employed can have a number of causes, including low average benefit levels and low benefit coverage. The comparison of disability benefit levels from different schemes in different countries in Figure 1.9 shows that payment levels in Canada are towards the lower end – both in regard to contributory and non-contributory schemes. Measured in percentage of the average full-time equivalent wage of the workforce, contributory benefit levels in Canada are around 20% (in gross income terms) – which is, for example, similar to the level for partial disability benefits in Finland and considerably lower than the 25-42% paid in other countries. At 22-30% in net income terms, provincial social assistance payments are also comparatively low.

6. Total household income adjusted for household size and expressed on a per person basis.

Figure 1.9. Disability benefit payment levels in Canada are comparatively low for all schemes



Note: (C) refers to contributory benefits and (NC) refers to non-contributory benefits.

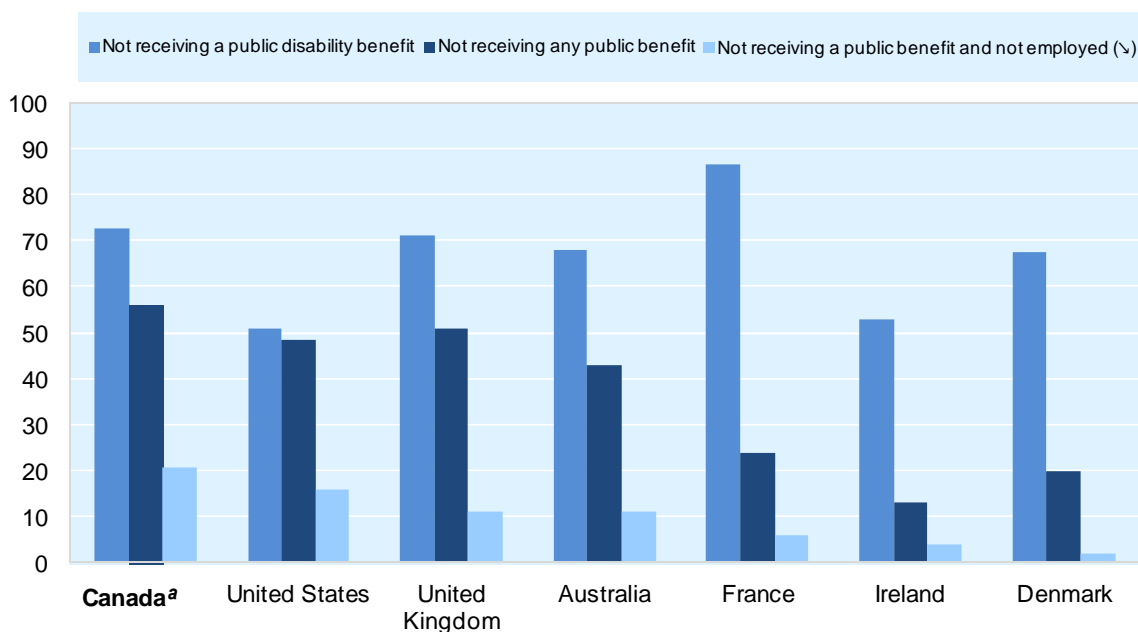
Source: National submissions and *OECD Employment Outlook*, 2008.

This raises broader issues. Survey-based estimates, based on combining information on self-assessed disability status and reciprocity of disability and other public benefits, suggest that, in Canada, a large proportion of non-employed persons with disabilities are excluded from benefits. More than one in five Canadians with disability are neither employed nor receiving any public benefit – compared with a share of 11% in Australia and the United Kingdom and significantly below 10% in continental European countries (Figure 1.10). Five years earlier, in 2001, the figure for Canada was even slightly higher than this. It is true that in Canada more persons with disabilities than in other OECD countries are relying on benefits from workers' compensation schemes and private disability insurances (Figure 2.2); however, the number of persons with disabilities receiving one of these two benefits only accounted for just 8% and 6%, respectively, of the total number of beneficiaries in 2006 (Figure 2.3).

More detailed figures for Canada by severity of disability further show that those with severe disability fall in the group “not employed and not receiving any public benefit” far more often than those with moderate disability (27% for persons with severe disability compared to 17% for those with moderate disability); a much lower share among the latter receiving a disability or other working-age benefit is more than compensated by their much higher employment rate. This difference by severity of disability is quite persistent over time and more pronounced than in other countries.

Figure 1.10. **Many non-employed Canadians with disability do not receive public benefits**

Different estimates of benefit inclusion or exclusion, around 2005 (percentages)



a) Disability benefit: Canada or Québec Pension Plan Disability Benefit or Provincial Social Assistance payment (with or without disability designation); public benefit: disability benefit or Veterans Affairs Pension or Employment Insurance payment. In line with the calculations for other countries, workers' compensation payments are excluded from the calculation. Including these payments would bring Canada's exclusion figure very close to that of the United States.

Source: Australia: SDAC 2003; Canada: PALS 2006; Denmark, France and Ireland: EU-SILC 2005; United Kingdom: LFS 2006; United States: SIPP 2004.

B. Trends in three Canadian provinces

Yet another question concerns the extent of similarity or dissimilarity of outcomes, trends and challenges *within* Canada. By and large, the patterns observed for Canada as a whole seem to hold for most provinces (even though more detailed data on outcomes are only available to the review team for the three provinces that are participating in the review, British Columbia, Manitoba and Québec). Poverty rates⁷ of persons with disabilities, for instance, fluctuate by province by a few percentage points, but remain around or above 30% in all three provinces and are thus higher in every province than in most OECD countries (Figure 1.11, Panel B).

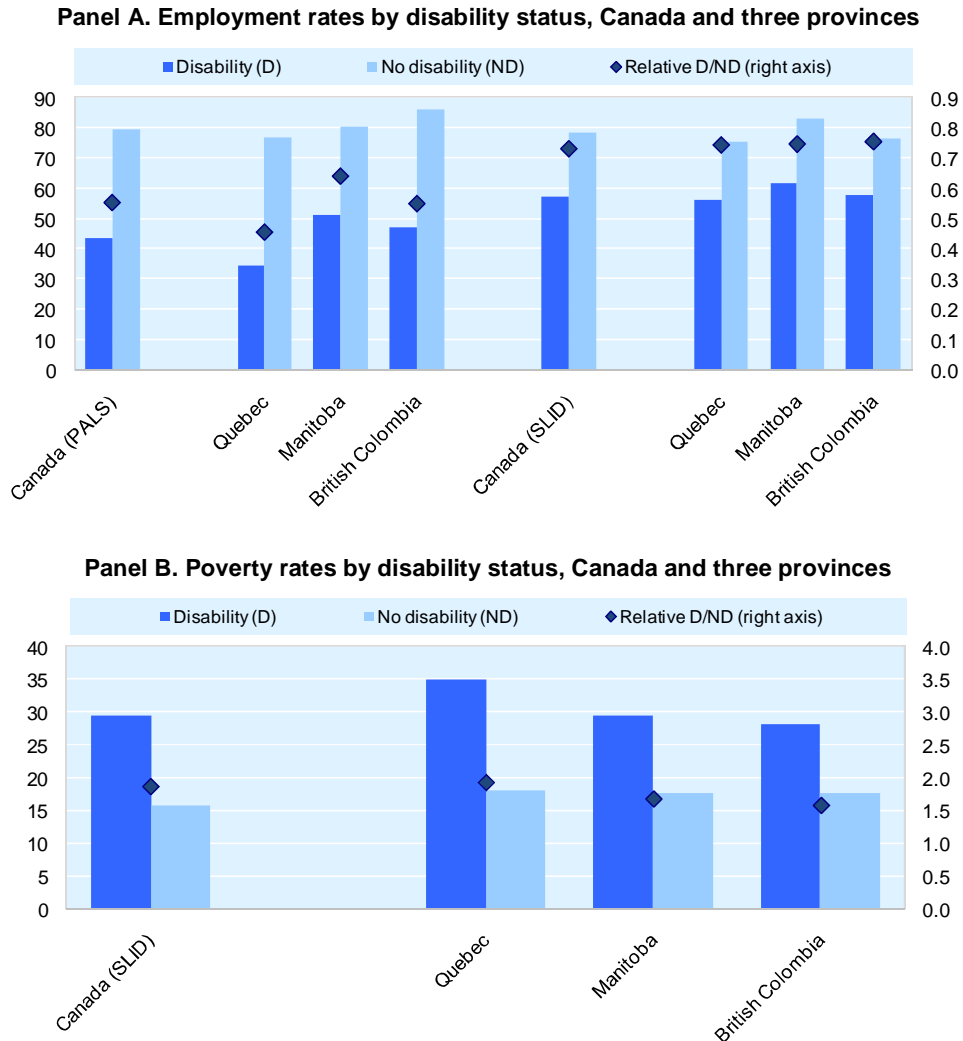
Employment rates for persons with disabilities based on PALS data seem more different, ranging from 35% in Québec to 47% in British Columbia and over 50% in Manitoba. However, this large difference is mainly a result of the lower disability prevalence in Québec, *i.e.* PALS data for Québec presumably refer to a group which is more severely disabled on average

7. The poverty threshold is 60% of median household size-adjusted disposable income, the OECD standard.

than in the other provinces.⁸ This is confirmed by a comparison of SLID-based employment rates which are more similar across provinces though still higher in Manitoba (Figure 1.11, Panel A).⁹

Figure 1.11. **Employment and poverty levels are broadly similar across the three provinces**

Employment rates and poverty rates^a of persons with disabilities versus those without, absolute (left-hand scale) and relative (right-hand scale), latest available year



a) Poverty rates: percentages of disabled persons living in households with less than 60% of the household-size-adjusted median disposable income.

Source: For employment rates, PALS 2006 and SLID 2005; for poverty rates, SLID 2005.

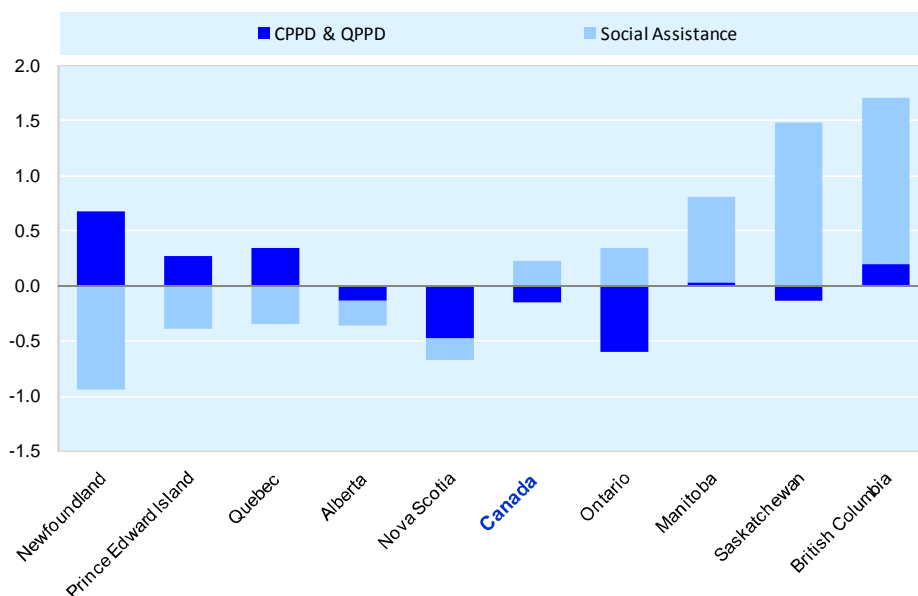
8. Research has shown that the low Québec disability rates could be attributed in part to cultural and linguistic factors affecting individual reporting of disability.
9. Again, due to the definition of self-assessed disability PALS data are far more comparable internationally (see footnote 2). Income, however, is only recorded in SLID; this is why reported poverty estimates for Canada are based on this survey. Poverty estimates based on the stricter PALS disability definition would likely be higher.

At around 4.4-4.8%, the total disability beneficiary rates in British Columbia, Manitoba and Québec are also very similar and close to the Canadian average. However, this masks a couple of very interesting differences across the provinces:

- First, regarding the overall level there are several outliers on either end of the distribution. The four provinces in the East of the country, which together comprise around 7% of Canada's population and which were affected to a larger extent by restructuring in the past, have lower overall employment rates and, at around 6%, much higher overall disability beneficiary rates.¹⁰ Alberta, on the other hand, has an exceptionally strong labour market and fewer benefit recipients of all sorts, with a disability beneficiary rate of only around 2%.
- Secondly, trends in beneficiary rates also differ, with significant increases over the past decade in the Western part of the country, though from a comparatively low level, and the opposite trend in the Eastern part, resulting in some convergence of levels across the country. British Columbia and Manitoba (together with Saskatchewan) are the provinces with the most pronounced overall increase.
- Thirdly, there are also significant differences across provinces in the structure of the disability beneficiary rate. In British Columbia and Manitoba, CPP-D reciprocity rates remained almost unchanged over the past ten years whereas social assistance reciprocity has increased substantially (Figure 1.12). In Québec, social assistance reciprocity has fallen while QPP-D reciprocity rates have increased to almost the same degree so that the net change is close to zero. Other provinces show yet other patterns.

Figure 1.12. **Large cross-provincial differences in disability beneficiary rate trends over the past decade**

Percentage point change in the number of disability benefit recipients (CPP-D, QPP-D and provincial social assistance payments) in percentage of the working-age population, 1996-2006



Source: Department of Human Resources and Skills Development Canada (HRSDC).

10. The higher overall disability beneficiary rates in the Atlantic Provinces may be explained in part by the fact that the working-age population in those provinces tends to be older than for most other provinces.

C. *Conclusion*

The following key facts emerge from the evidence available:

- Canada shares some problems with other OECD countries, including in particular relatively low employment rates and high unemployment rates of persons with disabilities.
- However, Canada does not share all of the problems to the same extent. Increasing use of disability benefits and the “medicalisation” of labour market problems, for instance, does not seem to be as big an issue as in many other countries; mental health problems, for instance, are not a source of new benefit claims as often as in other countries. Hence, in some respects, Canada appears to be doing relatively better than several other OECD countries.
- That said, there is no room for complacency. Some problems are particularly severe in Canada, such as the shift to non-contributory payments and, especially, the higher poverty risks of persons with disabilities partly resulting from their lower incomes when out of work. Low benefit levels and limited benefit coverage are factors behind this.
- Despite the important role provincial policy making plays in Canada with respect to disability matters, challenges are broadly the same all across the country. This does not imply, of course, that provincial policies matter little or less than federal policies. Rather it appears that challenges are more universal and driven by more universal social and economic developments. Hence, challenges concern the policy setup in its entirety, including also and especially the relationship between federal and provincial policies.
- Despite relatively small cross-provincial differences in most outcomes, two of the three provinces participating in the review are among those in which disability reciprocity rates – or, to be more precise, the use of social assistance payments with a disability designation – have increased significantly during the past decade.
- The impact of the current economic downturn is not yet documented in the available evidence, but initial results suggest that the job crisis affects those people most who have entered the labour market recently. This might suggest that at this stage people with health problems are not affected by job loss more than others, but they will surely find it particularly difficult to get back into the labour market once unemployed. That said, poverty outcomes are a big challenge already and they could turn into a major challenge in the course of the crisis.

1.2. **Policy context – Canada as a federation**

Canada holds a unique place in the OECD by virtue of its particular model of federation that features, in effect, two levels of sovereign government (Prince, 2004) – federal and provincial – that must co-exist. Provinces derive considerable autonomy over local decision-making from the Constitution, which means that the day-to-day policies that affect Canadians with disability are largely determined by the province they happen to live in. While the federal government has accountability over territorial affairs, it has minimal influence in provincial

matters. The large majority of social, disability and employment policy measures are designed and administered by provincial authorities.

For provinces, the direct and most significant policy measure with regard to bolstering income of persons with disabilities is social assistance. In addition, all provinces have their own workers' compensation scheme, which is a significant source of income for sick or injured workers. Regarding active labour market policy, although there are a few federal government-run schemes, the majority of programmes are under the auspices of the provinces. Typically, the federal government provides part of the funding to these provincial programmes through mutual agreements.

The federal government has legislative responsibility for unemployment benefits and old-age pensions, which also include disability pensions. Amending or replacing these requires agreement of federal parliament and seven provinces, or alternatively constitutional reform, so these systems have remained largely unchanged.¹¹ Based on its powers for income taxation, the federal government directly affects policy in this area through tax reliefs or tax credits.

Part of the challenge in governing Canada is that its Constitution affords general responsibility for particular issues to the federal government but the capacity for achieving the corresponding policy outcome to provincial authorities. The lack of any single overarching responsibility or federal co-ordination of policy has fuelled the evolution of a plethora of overlapping and poorly synchronised measures. It is understandable that there has been occasional historical tension when federal and provincial demarcation lines are not explicit.¹²

Further adding to the complexity of the system, private for-profit insurers and non-profit service providers also play significant roles in the mixture of benefits and services that are provided for persons with disabilities. In brief, the result of the constitutional demarcation is a highly complicated system of benefits and supports for persons with disabilities, with the federal/provincial governments and the private sector all playing unique roles. How to organise and intertwine the many programmes is crucial for the accomplishment of policy objectives, *i.e.* better labour market integration with better income security for Canadians with disability.

11. The federal government's jurisdiction over old-age pensions (and thus disability benefits) is "concurrent" and not exclusive: Provincial governments have legislative power over old-age pensions that the federal government may not affect under Section 94A of the Constitutional Act. Amending the pension scheme would require consent of both the Parliament of Canada and legislatures of at least seven provinces (*i.e.* two-thirds of the provinces representing two-thirds of Canada's population).

12. Two of the major policy measures which the federal government can now resort to – Canada Pension Plan and Employment Insurance – are themselves the products of extended periods of argument between the federal and provincial governments as well as among the various political parties. The concept of a nation-wide unemployment insurance system has bloomed in as early as 1910s, but it was not until 1940 that the concept was finally put in place with the addition of Section 91(2A) to the Constitution (HRSDC, 2004). Similarly, although the need for a system to provide an adequate income to workers in their retirement was already raised and resulted in the introduction of the Old Age Security programme in 1952, the amendment of Section 94A of the Constitution and the ultimate establishment of the Canada Pension Plan had to wait until 1966 (Torjman, 2002). These two monumental schemes have now developed into the foundation of the Canadian social policy structure.

1.3. Major contributing programmes

Programmes for income protection and employment promotion of Canadians with disability are funded by varying combinations of federal and provincial revenues, but the demarcation of federal and provincial responsibilities means they are generally not administered in a joined-up way. In practice, some federally-funded social benefits are used as base payments to be supplemented by other provincial payments, while other federal programmes are in place to fill gaps.¹³

A. *Canada/Québec Pension Plan Disability Benefits*

The *Canada Pension Plan Disability Benefit* (CPP-D) programme is the largest federal disability insurance scheme, and is part of the *Canada Pension Plan* (CPP).¹⁴ General contributions to CPP fund the CPP-D benefit. In 2008, contributions were not required from persons whose annual income was under CAD 3,500, nor on the portion of income above CAD 44,900.¹⁵ Between these amounts, the employee contributes 4.95% of his/her salary which the employer has to match. Self-employed individuals pay 9.9%. CPP-D benefits represented 14% of the total benefit dollars paid out by the CPP programme in 2005-06. The number of contributors to CPP is projected to grow from 12.3 million in 2007 to 15.3 million by 2050, by which date this could account for around two-thirds of the working-age population.

To draw a benefit under the CPP-D, applicants must have made CPP contributions at the minimum required level of earnings for at least four of the preceding six years, or, for applicants with 25 or more years of contributions, for three of the last six years. In addition, applicants must meet the criteria of “severe and prolonged” physical or mental disability, that is to be incapable regularly of pursuing *any* substantially gainful occupation, likely to be long continued or for an indefinite duration or to result in death. This definition is stricter than comparable criteria in most other OECD countries (Table 1.1).¹⁶

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13. In addition to the federal and provincial programmes described in this chapter, typical human rights legislations are an important component of Canada’s system of disability policies. The *Canadian Charter of Rights and Freedoms*, a bill of rights entrenched in the Constitution of Canada, guarantees equality before and under any federal or provincial law without discrimination on the ground of disability. The *Canadian Human Rights Act* and provincial/territorial human rights codes also prohibit discrimination in employment on the ground of disability, except in cases where such a *prima facie* discriminatory practice is determined to be based on a *bona fide* occupational requirement. As was noted in the Foreword, little attention is given to these legislations in this review.
 14. The Canadian old-age income security system involves three components: 1) Old-Age Security (OAS) funded from general government revenues; 2) CPP funded by contributions from employees, their employers and self-employed workers and from interest earned on that money; and 3) private pensions and savings. OAS and CPP together provide a modest base income.
 15. The minimum level is frozen at CAD 3,500. The maximum level is adjusted each January, based on increases in the average wage.
 16. It can be noted, however, that CPP-D has a Late Application Provision and an Incapacity Provision for those who were incapable of applying earlier. In addition, applicants who did not contribute for sufficient years may still qualify if they have obtained enough CPP credits from a former spouse of common-law partner through credit-splitting. Also, the Child Rearing Provision

Strictly speaking, such a narrow definition excludes any person with meaningful partial work capacity and appears rooted in older conceptualisations of disability associated with total permanent physical incapacitation. People with partial or episodic loss of work capacity would therefore most likely not qualify for a payment. This is reflected in the rejection rate of claims which, at around 45%, is relatively high by international standards.

The benefit paid to recipients is calculated as the sum of a flat-rate amount plus 75% of what the contributor's CPP pension amount at age 65 would have been. In 2008, the maximum amount was CAD 1,077.52 per month, the average amount CAD 789.80.¹⁷ With an income replacement rate of CPP around 25%, the CPP-D benefit amount is low and, by itself, normally insufficient to sustain an inactive or unemployed person. Though CPP-D benefit is taxable, relief is available through a tax credit on contributions and a deduction for employers.

Table 1.1. The disability criterion of CPP-D is stricter than the criteria used in other OECD countries

Country	Benefit programme(s)	Disability status that may trigger reciprocity
Canada	Canadian Pension Plan Disability Benefit	Severe and prolonged mental or physical disability: 1) "severe" only if applicant is incapable regularly of pursuing any substantial gainful occupation 2) "prolonged" only if the disability is likely to be long continued of indefinite duration, or likely to result in death
Australia	Disability Support Pension	Unable to work or be retrained for work of at least 15 hours per week within two years
Denmark	Disability Pension	Applicant's capacity to work is permanently reduced by at least 50%
Ireland	Incapacity Pension	Incapable of work for at least another 12 months or permanently incapable of work or over age 60 with a serious illness or incapacity
Switzerland	Incapacity Insurance Benefit	Unable to engage in gainful activity, or may do so only partially, or unable to perform his/her usual work
United Kingdom	Employment and Support Allowance	Illness or disability affects ability to work (e.g. at least four days in a row or two out of seven consecutive days)
United States	Social Security Disability Insurance / Supplemental Security Income	Unable to do former work or other works because of the medical conditions, which will last at least one year

Note: QPP-D uses a similar disability criterion: the disability must be recognised by the responsible medical adviser as being both severe (= person is unable to do any type of substantially gainful work because of the state of health) and permanent (= the disability is likely to be of indefinite duration, without any possibility of improvement).

Source: OECD.

The CPP-D is typically seen as a base income to be supplemented by other benefits. Thus, the CPP-D is usually the "first payer" in Canada's complex benefit system for persons

allows an applicant to exclude from his/her contributory period, periods of time when he/she had low or no earnings because he/she was raising dependent children under the age of seven.

17. The benefit includes a fixed amount that everyone receives (CAD 414.08 a month for 2008), plus an amount based on the individual's contributions to the CPP during his or her entire career. Every January, there may be an increase to the CPP-D benefit to take into account any increase in the cost of living.

with disabilities because it provides a benefit to anyone who meets the eligibility criteria irrespective of other benefits they may receive from other sources, such as provincial social assistance, workers' compensation or private disability insurance benefits. Provincial social assistance programmes and private disability insurances typically oblige benefit claimants to apply for CPP-D.

With the narrow incapacity-based definition of disability, CPP-D recipients are meant to be detached from the labour force and unable to work. Nevertheless, around 10% of the total CPP-D beneficiary caseload has earnings, in most cases below the Allowed Earnings threshold of CAD 4,400 per year (in 2008, before taxes). Note that even when reaching this threshold they do not automatically lose their beneficiary status. For up to another three months, and sometimes longer, *Service Canada* (the service branch of Canada's Human Resources and Skills Development Department, HRSDC), continues to monitor and provide tailored employment supports, and even after this period it is still careful and selective before discontinuing benefits.

Long-term detachment from the labour market is typically associated with a loss of work readiness and confidence, together with a fear that returning to work may place a person at risk of having to repeat the arduous process of proving their disability should the work attempt fail. To address this, a recipient who returns to work is eligible for *Automatic Reinstatement*, an accelerated and simpler process to return to CPP-D for the first two years after their benefit has been ceased. Potentially, this feature is especially relevant for those with episodic conditions who may return to the labour market when they are in good health and without fear or concern about losing CPP-D beneficiary status (Stapleton and Tweddle, 2008): however, they would have to prove severe and prolonged disability to qualify for a CPP-D payment in the first place.

Service Canada also offers a vocational rehabilitation programme for CPP-D beneficiaries. Participation is voluntary, as for all other employment supports. In part because of the severe nature of their disability, take-up of *Return to Work Supports* is low: in 2007, only around five thousand beneficiaries (1.4% of the total caseload) reported work activity; however, several thousand more showed low level of earnings (below the mandatory reporting threshold).

Québec has its own public pension scheme, the *Québec Pension Plan* (QPP), which also includes a disability benefit (QPP-D) that mirrors its CPP counterpart. To be eligible, applicants must similarly experience severe and permanent disability, and have contributed sufficiently to QPP in recent years.¹⁸ A maximum benefit payment of CAD 1,077.49 per month was payable in 2008.

The notable differences between QPP-D and CPP-D include: *i*) there is no automatic reinstatement in QPP-D if a beneficiary commences work, but the earnings threshold allowed under QPP-D (in 2008, before taxes) is CAD 12,930 annually, substantially higher than CPP-D's CAD 4,400 thus leaving the recipient greater leeway for working; *ii*) for persons aged 60-64, the requirement of being "unable to do *any* type of substantially gainful work" is

18. Contribution requirements are similar but not identical to CPP: for QPP a worker must have contributed for at least two of the last three years, five of the last ten years, or half of the years in their contributory period, but in any case not less than two years.

modified to “being unable to return to his/her *regular work*”,¹⁹ and *iii*) QPP-D is not necessarily considered “first payer” as is the case with CPP-D, and it is better integrated with other income security measures. For example, as a consequence of the 1986 introduction of a “single-payer” rule, persons with disabilities in Québec can receive financial assistance under workers’ compensation or the QPP-D programme, but not both. In other provinces, workers’ compensation may top-up CPP-D benefits, or in some provinces, it may pay a full amount in respect of compensation (Torjman, 2002).²⁰

B. Employment Insurance programmes

Another major federal social policy scheme is *Employment Insurance* (EI). Part I of EI is an insurance framework that provides temporary income benefits to insured individuals whether they become unemployed, or require time away from work due to illness, to care for a newly born or adopted child, to recover from childbirth, or to care for a gravely ill family member who is at risk of death. Part II of EI constitutes a range of active labour market policies for persons insured by EI, including those with a disability. Therefore, EI is a significant policy tool in terms of income *and* employment supports for persons with disabilities who previously earned enough to contribute into and qualify for the scheme.

EI premiums are paid by both employers and employees; at CAD 1.73 per CAD 100 of earnings for employees up to the maximum insurable earnings of CAD 41,100 for 2008. Employers pay 1.4 times the employee contribution. The rates are recalculated and announced every year based on what has been forecasted for the EI fund to cover the cost of the programme.²¹ Employers may be eligible for a premium reduction through the *Premium*

19. This modified requirement has apparently led more people in this age group to beneficiary status in Québec than in other provinces. The share of new beneficiaries aged 60-64 in the total of those in the age group 20-64 (estimated via changes in the stock over a five-year period) is around one-third for the CPP-D programme but as much as 50% for the QPP-D programme. Similarly, among current beneficiaries 34% are aged 60-64 in CPP-D compared with 44% in QPP-D. The latest draft reforms to QPP-D proposed that the relaxed criteria for disability, whereby workers aged 60 to 64 can retire before normal retirement age, be abolished.
20. In Québec, the *Régie des rentes du Québec* is in the process of reviewing its procedures with regard to the Return to Work of its disability beneficiaries. This review focuses on what the person is capable of doing despite his or her disabilities rather than on medical considerations exclusively.
21. Since 1986, the EI Account has been consolidated in the Summary Financial Statements of Canada, on the recommendation of the then Auditor General of Canada. Under the EI Act, premium revenues go to and programme costs are paid from the Consolidated Revenue Fund (CRF). The EI Account is not an account containing cash, but an accounting method that keeps track of premiums and benefits. Last year, the Public Accounts of Canada reported a cumulative surplus of CAD 56.9 billion as of March 31, 2008. To enhance the independence of premium rate setting and to ensure that EI premiums are used exclusively for the EI programme, the Government has created a new, independent Crown corporation, the Canada Employment Insurance Financing Board (CEIFB). Once fully operational, it will be responsible for managing a separate bank account where any excess premiums from a given year will be held and invested until they are used to reduce premium rates in subsequent years. It will also be responsible for implementing an improved EI premium rate-setting mechanism which will ensure that, going forward, EI revenues and expenditures break even over time.

Reduction Program if they offer a short-term private disability plan to their employees, and reduced premiums are currently paid on about 60% of all insurable earnings in Canada. The short-term disability plan payments replace EI sickness benefit payments because they are required to be the “first payer”.

EI funds a variety of benefits including *Sickness Benefit* (EI-SB). To be entitled to EI-SB, applicants must be unable to work due to their illness and show that their regular weekly earnings have decreased by over 40%. They must also have accumulated enough insured hours in the previous year. The Canada-wide threshold for this is set at 600 hours, unlike for regular unemployment benefit where fewer hours are required in regions with higher unemployment rates (hours required to qualify vary from 420 to 700, depending on regional unemployment rates). The basic benefit rate is 55% of the recipient’s average insured earnings up to a maximum amount of CAD 435 per week. EI-SB is generally paid up to 15 weeks, with a two-week waiting period. There is no earnings exemption in EI-SB, so earnings are deducted from benefits dollar-for-dollar.²²

Part II of EI provides various activation measures under the banner of *Employment Benefits and Support Measures* (EBSMs). “Employment Benefits” are only for those who are EI insured and include Targeted Wage Subsidies and Earnings Supplements (Table 1.2). Those without EI insurance can benefit only from “Support Measures”, including especially Employment Assistance Services. Persons with disability designation, however, are only a small subgroup of all EBSM users: 2.6% of all those receiving Employment Benefits and 6% of those receiving Employment Assistance (Table 1.3). At 4% and 11%, respectively, these shares are significantly higher in British Columbia.

EBSMs are administered at a provincial level. The federal government, through full-transfer *Labour Market Development Agreements* (LMDAs), provides EI Part II funding to provinces and territories to deliver programmes to individuals who are EI-eligible.

22. In contrast, beneficiaries of regular unemployment benefit as well as parental and compassionate care benefit can earn up to 25% of weekly benefits or CAD 50, whichever is higher. Earnings above this level will be deducted dollar for dollar. As of September 2008 a pilot project has been expanded nationally, allowing claimants to earn up to 40% or CAD 75. The pilot has yet to be evaluated by national authorities.

Table 1.2. The array of Employment Benefits and Support Measures

Clients with disability designation in per cent of the caseload and total expenditures in thousands CAD, 2007

ESBM category	Programme	Programme characteristics	Clients served (% of caseload)	Expenditures (1 000s)
Employment Benefits	Targeted Wage Subsidies	Assist eligible unemployed individuals to obtain on-the-job work experience by providing employers with financial assistance towards the wages of insured participants whom they hire.	2.0	94 761
	Targeted Earnings Supplement	Temporarily topping-up wages to enable people currently on EI or the longer-term unemployed to accept low-wage jobs. (The <i>Supplément de retour au travail</i> in Quebec is the only intervention currently in place that is similar to this program.)	0.7	3 519
	Self-employment Assistance	Provides financial assistance and business planning advice to EI-eligible participants to help them start their own business. (Covers personal living expenses and other expenses during the initial stages of the business.)	1.2	144 126
	Job-creation Partnerships	Provides insured participants with opportunities to gain work experience that will lead to ongoing employment. Also aimed at developing the community and the local economy.	0.7	61 020
	Skills Development	Helps insured participants obtain employment skills through direct financial assistance that enables them to select and pay for their own training.	9.2 (regular), 5.7 (apprentices)	957 449
Support Measures	Employment Assistance Services	Assists organizations in the provision of employment services to unemployed persons, including counselling, action planning, job-search skills, job-finding clubs, job-placement services, the provision of labour market information, case management and follow-up.	44.4	542 515
	Labour Market Partnerships	Provides funding to help employers, employee and employer associations, and communities to improve their capacity for dealing with human resource requirements and to implement labour force adjustments. Involves developing plans and strategies and implementing adjustment measures.	4.7 (Group services), 29.4 (Individual counselling)	139 137
	Research and Innovation measure	Supports activities that identify better ways of helping people to prepare for or keep employment and to be productive participants in the labour force. Funds are provided to eligible recipients to enable them to carry out demonstration projects and research for this purpose.	-	3 195
Pan Canadian Activities	Aboriginal Human Resources Development Strategy (AHRDS), Pan-Canadian Labour Market Partnerships, Pan-Canadian Research and Innovation	1.9	150 275	
Total				2 086 890

Note: Percentages are based on the number of new interventions started in 2007. Reported disability-designation counts are generally lower than the actual numbers because data are collected through self-identification.

Source: 2007 Monitoring and Assessment Report of Employment Insurance, HRSDC.

Table 1.3. **Only a minority of users of Employment Benefits and Support Measures have a disability**

Clients with designated disability in percentage of all clients, by type of programme and province, 2007

Benefits and Services	British Columbia	Quebec	Manitoba	Canada
Employment Benefits				
Targeted Wage Subsidies	7.6	2.6	4.2	4.4
Self-Employment	5.2	1.3	2.7	3.4
Job Creation Partnerships	5.5	0.0	2.2	3.0
Skills Development - Regular	7.3	2.1	2.6	3.5
Skills Development - Apprentices	0.2	0.0	0.0	0.2
Total Employment Benefits	4.0	2.1	1.6	2.6
Employment Services				
Employment Assistance	8.9	4.1	8.7	5.1
Individual Counselling	13.2	2.5	3.7	7.5
Supplément de retour au travail (Quebec only)	0.0	2.4	0.0	2.4
Total Employment Services	11.1	4.0	5.3	6.0
Aboriginal Pan-Canadian	2.8	1.2	5.2	2.7
Grand Total - Benefits and Services	9.7	3.4	4.7	5.3

Source: Participant dataset, 2007 Monitoring and Assessment Report of Employment Insurance, HRSDC.

C. LMPA, LMA, LMAPD and Opportunity Fund

EBSMs are mainly for those who are insured under EI, even though not insignificant numbers of non-insured clients access Part II Support Measures (176,879 or 28.6% of all clients in 2006). In addition, EI coverage has consistently decreased, thereby further reducing the numbers who can access these programmes. The EI beneficiaries-to-unemployed ratio has declined from around 80% in the late 1980s to less than 50% in the late 1990s and 45.4% in 2008. This may be due to reform efforts by HRSDC to stabilise the EI fund following accumulation of major deficits in previous decades (Battle *et al.*, 2006), or to a prolonged economic upswing that brought most labour force participants into work (Richards, 2007). With less than one in two unemployed persons covered by EI, EBSMs alone are not a sufficient policy measure for those in need of employment supports.

Canadian policy makers have tried to solve this problem using bi-lateral agreements between the federal and provincial/territorial governments, whereby Ottawa provides part of the total budget and provincial/territorial governments are responsible for making and executing the policy intervention. In 2005, labour force participants (whether they have a disability or not) who were not EI insured came under *Labour Market Partnership Agreements* (LMPA) that further evolved into *Labour Market Agreements* (LMA) in 2008. LMPAs address two priority groups, clients not eligible for EI and low-skilled workers. As of July 2009, all provinces and territories have signed bilateral LMAs with the federal government, and they may, as their policy initiatives, invest part of this money in activating persons with disabilities.

However, the most important federal policy initiative to foster the labour market participation persons with disabilities has been the *Labour Market Agreements for Persons with Disabilities* (LMAPD). Between the early 1960s and the late 1990s, Vocational Rehabilitation of Disabled Persons (VRDP) programmes have served as the main cost-sharing arrangement between federal/provincial/territorial governments to provide comprehensive rehabilitation

programmes. In response to growing calls, since the 1980s, from within and beyond the disability community for more employment-focused initiatives for persons with disabilities, in 1998 the federal, provincial and territorial governments came to a landmark agreement called *In Unison*, which set out employment as a core goal for a vision of full citizenship for Canadians with disability. Following this, *Employability Assistance for People with Disabilities* (EAPD) replaced VRDP as the cost-sharing agreement, in turn followed by the current LMAPD.²³

Under the current LMAPDs, the federal government contributes approximately CAD 218 million per annum to the provinces, with amounts to each province largely based on population size. Provinces contribute at least as much, if not more than the federal endowment. Audited statements show a total LMAPD investment (federal plus provincial portions) of CAD 634.8 million in the 2005-06 fiscal year.²⁴ Under the terms of the LMAPDs, provinces have primary responsibility for the development and delivery of programmes and services consistent with five priority areas: education and training, employment participation, employment opportunities, connecting employers and persons with disabilities, and building knowledge.²⁵ Provinces have near total autonomy in designing programmes, allocating funds, selecting providers and determining client groups, with the aim to design and deliver programmes, services and supports that meet the particular needs of their own citizens with disabilities and their own labour markets. They consult closely with the disability community and other stakeholders to determine the best set of activities.

Provinces are required to report annually to their constituents on programmes and services funded under the LMAPDs to demonstrate the activities undertaken to improve the employment situation of persons with disabilities. They report on employment-related indicators using available data or by undertaking evaluation or surveys. However, aside from total expenditure in provinces or Canada as a whole, it is often difficult to ascertain a detailed, comprehensive, and comparable picture of provincial programme expenditures and outcomes. In the provincial reports released each year, output, outcome and policy variables vary by province and the information is frequently not reported in sufficient detail to permit comparative analysis, which has been an ongoing concern for research scholars and disability interest groups. There is no apparent incentive or mandatory requirement for provincial authorities to collect and disclose this information in a comparable manner.

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23. *In Unison* was an attempt to correct a situation where funding intended for employment purposes was de facto used for a range of issues, extending from traditional active labour market policy measures to family services, housing, education, mental health, and even addiction services, even though some of those activities are generally regarded as violating the agreements (Graefe and Levesque, 2008).
 24. By way of example, Alberta is to receive CAD 25.1 million annually from the federal government via LMAPD, but the provincial government says it invests more than CAD 2 billion on programmes to help Albertans with disability (Canada-Alberta LMAPD 2007/2008). The provincial government in Ontario spent approximately CAD 205.6 million on the committed LMAPD programmes and services when it received the federal contribution of CAD 76.4 million in 2007-08. This compares with CAD 6 billion that the Ontario government spent for programmes and services for persons with disabilities in 2001 (Ontarians with Disabilities Act Committee, 2001).
 25. In order to access funding for the year, each province is required to submit to HRSDC a programme plan outlining priority areas to be addressed, programmes and descriptions, and projected expenditures for each programme. As well, each province must submit an annual audited statement detailing expenditures by programme/service.

Programmes at the local level may differ by province, but with the exception of income assistance measures administered by the provincial governments, almost all active labour market programmes are contracted out to non-profit service providers. From the perspective of these third-party providers, the federal intent behind the funding of LMDA, LMA or LMAPD programmes does not directly map on their intervention design. The provincial autonomy over policy planning allows them to pool federal monies with their own funds before proceeding to plan local policy and allocate monies (Graefe and Levesque, 2008).

In addition to the various federal/provincial agreements, HRSDC administers another labour market policy measure for persons with disabilities called the *Opportunities Fund for Persons with Disabilities* (OF). Like LMAPDs and unlike LMDAs or LMAs, the OF is a programme that exclusively targets persons with disabilities. Unlike LMAPDs, however, the federal government directly plans and administers OF-funded programmes through a network of Service Canada offices. There is a common standard for recording programme performance data, which enables consistent accountability reporting across jurisdictions. The annual expenditure for the OF is approximately CAD 27 million.²⁶

D. Disability Tax Credit and other federal tax measures

The federal government uses income tax credits to support low-income workers with a disability or the families of unemployed persons with disabilities, who earn enough to pay income tax. The *Disability Tax Credit* (DTC), also called the disability amount, is commonly given to those “who are markedly restricted in their ability to perform a basic activity of daily living”, or those “who would be markedly restricted were it not for extensive therapy to sustain a vital function”, due to the effects of a “severe and prolonged mental or physical impairment.” In 2008, eligible persons could claim up to CAD 7,021 as the “disability amount”, which corresponds to a federal tax reduction of up to CAD 1,123.²⁷ However, the tax credit which is fully indexed to inflation is non-refundable. Hence, it excludes by definition the part of the workforce not earning enough to pay taxes and thus qualify for a tax credit; this problem is partly addressed by the possibility of transferring eligibility for DTC to a supporting family member.

A variety of other tax credits are also available to persons with disabilities who earn sufficient income to pay tax. Some are mutually exclusive and others are reduced if the net income exceeds a certain amount. Families caring for children with severe and prolonged impairment may access a further federal tax reduction in addition to DTC (*Supplement for Children*). Other non-refundable credits such as the *Medical Expenses Tax Credit*, *Caregiver Credit*, and *Infirm Dependent Credit* are available to persons with disabilities. *Working Income Tax Benefit* (WITB) is a refundable tax credit for low-income individuals or families, and those who are eligible for both the WITB and the DTC with working income over CAD 1,750 may

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26. The objective of the OF is to assist persons with disabilities in preparing for, obtaining and keeping employment or becoming self-employed, thereby increasing their economic participation and independence. The objective is achieved by working in partnership with non-government organisations representing persons with disabilities, the private sector and provincial governments in using innovative approaches that demonstrate best practices to promoting the economic integration of persons with disabilities.
27. Other than disability, characteristics constituting an entitlement to non-refundable tax credits include dependents, CPP/QPP contributions, EI premiums, tuition and education, and medical expenses; added to this is a basic personal amount, which was CAD 9 600 in 2008.

claim in addition an annual *disability supplement* of up to CAD 255 (for 2008), with a total maximum of CAD 765 per year for single individuals.²⁸

The *Registered Disability Savings Plan* (RDSP), launched in 2008, is the most recent initiative of the federal government for persons with disabilities. The RDSP is a long-term savings plan to help Canadians with disabilities and their families save for the future. To be eligible for the RDSP, an individual must be under age 60, a Canadian resident with a social insurance number and eligible for the DTC. To encourage savings, the Government of Canada pays a matching *Canada Disability Savings Grant* (grant) of up to CAD 3,500 a year on contributions made into the RDSP. The Government of Canada also pays a *Canada Disability Savings Bond* (bond) of up to CAD 1,000 a year into the RDSPs of low-income and modest-income Canadians. No contributions are necessary to receive the bond. The plan holder or anyone with written consent from the holder can contribute to an RDSP. There is no annual contribution limit; however, there is a lifetime contribution limit of CAD 200,000. Earnings accumulate tax-free until money is withdrawn from the RDSP. Both the grant and bond are administered by HRSDC.²⁹

Eligibility for the federal DTC is a qualifying requirement for other federal tax benefits. In addition, provinces generally also have tax benefits parallel to the federal ones such as DTC, Infirm Dependent Credit or Caregiver Credit, and eligibility for those will in most cases depend upon a claimant's eligibility for the corresponding federal credits.

E. Provincial income and employment programmes

With the exception of the federally-administered OF and CPP-D vocational rehabilitation, there is a clear move in Canada toward employment programmes being designed and administered by provincial authorities. Since the termination of the federally-administered Canada Assistance Plan scheme in 1995,³⁰ social welfare programmes are likewise being managed directly by the provinces. Because of the restricted coverage under federal insurance schemes, these provincial safety-net welfare (as well as employment support) schemes are being accessed by increasing numbers of persons with disabilities who are without federal EI or CPP-D coverage.

Provincial income support programmes are becoming a necessary last resort for many Canadians, and today persons with disabilities in need are the major beneficiary group of those programmes. Table 1.4 summarises the provincial social assistance programmes for persons with disabilities available in Québec, British Columbia and Manitoba. Québec and British Columbia have two such schemes, one for people with permanent problems and one for those with more temporary issues. In Québec, a *Social Assistance Programme* recipient may be granted a temporarily limited capacity allowance if, among others, he/she was unable for a

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28. The disability supplement to the WITB and base WITB amounts differ in British Columbia, Quebec and Nunavut, under separate agreements with the federal government. Other jurisdictions may make separate arrangements in future years.
 29. Both the grant and the bond can be received up to 20 years until the beneficiary reaches age 50. Beneficiaries must wait ten years after the last grant or bond is received to avoid penalties; any grant or bond received within ten years must be repaid.
 30. The Canada Assistance Plan was largely criticised in part because it failed to either secure sufficient income for the poor, or attach many clients to the labour market, and in part because both the federal and provincial governments were not able to reform the system timely and adequately.

period of at least one month to carry out job activities due to a physical or psychological condition. British Columbia not only acknowledges, in its disability designation criteria, that restrictions to daily-living activities can be continuous or episodic for extended periods, but offers another programme for which persons with episodic disabilities are eligible (*Employment and Income Assistance for Persons with Persistent and Multiple Barriers*).

Provincial social welfare schemes are evolving in line with the international trend toward stronger active labour market policy. Provincial programmes now require unemployed persons to actively participate in programmes that may enhance their employability and to seek work as a condition for receiving welfare. This action reflects Canada's need – prior to the crisis and when the economy will pick up again – to address significant labour supply shortages following a decade of sustained economic growth. In provinces such as British Columbia where the number of clients and expenditure on assistance programmes has soared, the development of ambitious strategies and programmes that are more employment-oriented has been an additional impetus.

Table 1.4. **Characteristics of provincial social assistance programmes for persons with a disability**

Principle characteristics and maximum payment rates in three provinces

	Québec		British Columbia		Manitoba
Programme(s)	Social Solidarity Program	Social Assistance Program	Employment and Income Assistance for Persons with Disabilities	Employment and Income Assistance for Persons with Multiple Barriers to Employment	Employment and Income Assistance
Eligibility	Severely limited capacity for employment	Temporary limited capacity for employment	Severe impairment that is likely to continue for two years, and directly and significantly restricts ability to perform daily living activities continuously or periodically for extended periods	Received assistance for 12 of last 15 months, and - has severe multiple personal barriers to employment and continuing or recurring medical condition that seriously impedes ability to work, OR - has continuing or recurring medical condition that precludes the person from working	By reason of disability that is likely to continue for more than 90 days, unable to earn sufficient income to provide the basic necessities
Allowable assets (for single person)	862 (Maximum 5 000 of individual development account allowed)	862 (Maximum 5 000 of individual development account allowed)	3 000	1 500	4 000
Earnings exemption (per month)	100	200	500 after three months on assistance	500 after three months on assistance	200 + 30% of net monthly earnings in excess of 200
Benefit rate (for single person, per month)	838	692	906	658	721

Note: Persons with a disability designation in Québec, Manitoba and British Columbia have an exemption limit of CAD 100,000 for assets held in a trust fund. In addition, all three provinces have announced a partial or full exemption of Registered Disability Savings Plan assets and income when calculating social assistance payments.

Source: Open Policy (2008), Background information prepared for HRSDC.

The same is not, however, the case for beneficiaries with a disability designation. To qualify for this form of social welfare, they have to declare themselves unable to work and to have this medically confirmed.³¹ Their participation in pre-employment vocational training is on an entirely *voluntary* basis. To be eligible for assistance benefits, applicants must show that they are severely limited in their ability to work. It is also often required that their disability is prolonged, which may exclude persons with episodic disability from eligibility. As researchers

31. British Columbia is among the exceptions because the emphasis of the disability designation is on how the medical condition and impairment restricts the applicant's ability to perform activities of daily living. Vocational abilities are assessed separately through employment programming.

and the disability community have criticised the requirement of prolonged disability in provincial programmes, and also in CPP-D (e.g. Stapleton and Tweddle, 2008), provinces have adopted measures to avoid the risk of discouraging benefit recipients with episodic disability from trying to integrate into the labour market.

All social assistance applicants, with or without disability, have to pass needs tests, including tests of liquid assets, income and budgetary needs. While some sources of income are fully exempt (e.g. refundable tax credits and Canada Child Tax Benefit payments), many other sources are not. In particular, CPP-D and EI-SB benefits, workers' compensation payments and private long-term disability insurance payments are deducted dollar for dollar. But in the efforts to encourage more attachment to the labour market, provinces now allow at least a portion of the work earnings to be exempt and retained by working beneficiaries.

In addition to the employment strategies that are aligned with social assistance programmes, provinces have developed various reintegration strategies for persons with disabilities. These are typically multi-year projects, encompassing broad areas like vocational rehabilitation, wage subsidies, training and job-readiness tools, and tax measures. Although the intended recipients are persons with disabilities who are *not* EI-insured (and therefore not eligible for Employment Benefit programmes of EI Part II), doors are ordinarily also open to those who are EI-insured.

Services are delivered through third-party (usually non-profit) providers whom provincial governments contract with. Service providers are often organised under umbrella organisations that represent their collective interests at a provincial level. At this level they are also active in the policy-making process and seen as partners with the respective provincial governments (Box 1.1).

Box 1.1. Major employment initiatives for persons with disabilities in three provinces

Québec launched the *National Strategy for Labour Market Integration and Maintenance of Handicapped Persons* in 2008, which aims to reduce the difference between the employment rates for persons with and without disability by 50% by 2018. 61 measures in three broad areas – heightening awareness, developing potential and neutralising barriers – are administered through 2013. The refundable tax credit for on-the-job training period increased from 30% to 40%. The budget for the Workplace Integration Contract (CIT), which is a subsidy programme for employers to offset the cost of wages and workplace accommodations, will also increase to CAD 3.3 million per year, reaching CAD 49.1 million in 2013 compared with CAD 24.5 million in 2008. Likewise, the budget for sheltered employment (*entreprises adaptées*) will be boosted from CAD 50 million to CAD 60.7 million, creating 825 more jobs for persons with severe disability.

Manitoba's *Rewarding Work* is a four-year (from 2007/08 fiscal year) CAD 27.5 million strategy to address poverty in employment-oriented ways. One of the major components of this strategy is the *marketAbilities* initiative, which supports persons with disabilities find and keep jobs through increased funding (*marketAbilities Fund* and various other programmes) and staff (e.g., *marketAbilities Team*). Under a new training and education policy called *Get Ready!*, persons with disabilities who are on income assistance and have been unsuccessful in finding permanent jobs may be approved to attend education and training programmes (including university or other post-secondary programmes) for up to four years based on individual assessments. The strategy also includes a *Disability Awareness Campaign*, *Volunteer Supports*, as well as the *Stages of Change Pilot Project* which is an innovative six-step approach to help persons with disabilities get ready to work and find good jobs. Other initiatives include: enhanced work incentives and liquid asset exemptions; wage subsidies of up to 100% for municipal and non-profit employers, transition of income assistance participants engaged in skill training to a training allowance in place of income assistance benefits; additional employment supports for participants with mental health

disabilities; extended health benefits for up to two years for participants leaving income assistance for employment; and a transition allowance to assist with initial costs in leaving income assistance for work.

In British Columbia, the Minister's Council on Employment for Persons with Disabilities advises the government on strategies and key initiatives for increasing the employment and employability of persons with disabilities, particularly through partnerships with business and industry. Examples of such initiatives are the *10 By 10 Challenge*, which challenges the businesses and communities in BC to increase the number of employed persons with disabilities by 10% by the year 2010, and *WorkAble Solutions*, an initiative to connect employers with persons with disabilities by providing employment resources and support. In addition to a range of employment programmes that are available to all income assistance clients, the BC government introduced a cornerstone programme in the *Employment Program for Persons with Disabilities* (EPPD), which provides comprehensive personal supports and services to assist persons with disabilities to achieve employment goals and to increase self-reliance. Under this programme annually CAD 20 million funding assists about 6,000 people with disabilities per year.

F. Provincial workers' compensation and private long-term disability insurance³²

In Canada, *workers' compensation* is managed by Workers' Compensation Boards operating under provincial regulation. Premiums paid by employers into an "Accident Fund" are rated according to industry classes and occupations, and – most notably in terms of disability prevention – they are experience-rated by individual employer's experiences: the more work injuries or diseases occur at a place of business, the higher the premium paid by the employer.

In addition to medical expenses arising from illness or injury incurred in connection with work, Boards compensate affected workers for a proportion of their wages as a wage-loss benefit. The benefit formulae vary by province but the amount is typically much higher than CPP-D or EI-SB.³³ If the worker is determined to be permanently disabled, he/she may get a permanent disability benefit, either monthly (British Columbia) or as a lump-sum (Québec, Manitoba). There are also dependency benefits, as well as rehabilitation services in workers' compensation systems.

*Private long-term disability insurance*³⁴ (LTD) is another important contributor to the income package of Canadians with disability. This is particularly the case for those unable to satisfy the rigorous CPP-D requirements because it adopts a less restrictive disability definition of "inability to work *in the applicant's own job*", in contrast with the much stricter CPP-D definition based on "inability to be employed *in any substantial gainful occupation*" (Anderson and Brown, 2005). Benefit amounts are also more generous than CPP-D although in some plans they may not last as long. Typically, for the first two years, recipients are paid a specified percentage (70%, for example) of pre-disability employment income. Benefits may be paid for

32. As was noted in the Foreword, workers compensation and private disability insurance were not supposed to be main subjects of this review. In consideration of the importance of these programmes in the whole income package of persons with disabilities and possibly in the future reform efforts, some limited attention is given to these subjects.

33. In Québec, the Board pays 90% of a worker's the last wage after 14 days of work missed (in which period the employer pays the same amount); in British Columbia, the injured worker may be paid 90% of average net earnings (determined from gross earnings after deduction of income taxes, CPP contributions and EI premiums); and also in Manitoba, the Board may pay a worker 90% of his wage as a wage-loss benefit (difference between the worker's pre-injury and expected post-injury earnings).

34. Included here are automobile insurance plans.

longer periods if the recipients cannot perform any reasonably comparable occupation, but typically benefits last no more than 48 months in total (Canadian Life and Health Insurance Association (CLHIA), 2003).

Because of the profit orientation of private insurers, more emphasis is placed on monitoring early indicators of labour market detachment and helping people to stay in work. LTD plans contain strong mechanisms for facilitating a return to work (CLHIA, 2003). A range of premium structures award employer success in diminishing inactivity arising from disability. Most insurers ask plan members to seek CPP-D and/or workers' compensation payments, and deduct these payments dollar for dollar so that the total payment does not exceed what the recipients may have earned if they were not disabled.

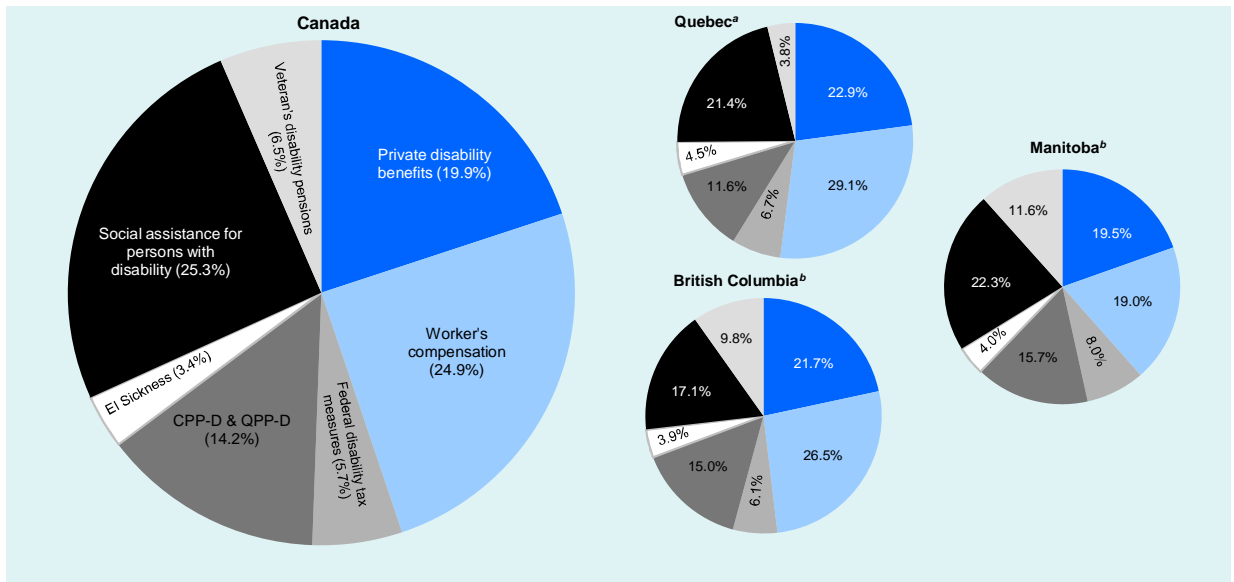
While the place of CPP-D in the overall benefit structure for Canadian persons with disabilities has been relatively constant, LTD has broadened its scope in terms of coverage and expenditure. According to CLHIA, in 2007 LTD plans covered 53% of the total employed workforce, an increase by nine percentage points from 1990. More recent SLID data about employer-provided life and/or disability insurance coverage confirm this trend until the mid 2000s, but the rate of increase has tapered off in recent years. In 1994, the combined LTD and short-term disability plans (STD) expenditure was almost equal to that of CPP-D at CAD 2.9 billion; in 2007, the combined LTD and STD payments were almost CAD 12 billion, while CPP-D grew to CAD 3.5 billion (CLHIA, 2009).

In conclusion, therefore, the following “benefit picture” emerges for Canada as a whole:

- Around 25% of total spending is for provincial social assistance with disability designation;
- Another 25% is spent on provincial workers' compensation payments;
- Roughly 20% is spent on private disability benefit plans;
- Another 20% is spent on federal insurance payments (EI-SB and CPP-D); and
- Around 5% each is spent on tax benefits (mostly DTC) and veteran's disability pensions.
- These proportions vary somewhat by province – for instance, workers' compensation plays a significantly larger role in Québec and a lesser role in Manitoba –, but the broad picture is very similar (Figure 1.13).

Figure 1.13. The array of federal and provincial benefits for Canadians with disability

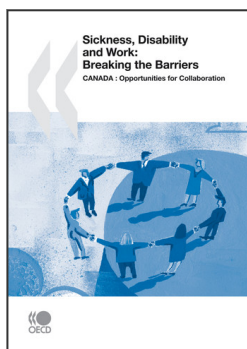
Composition of total spending by type of benefit (percentages), 2005-06



a) Excludes expenditures on tax measures and benefits paid out under Québec's public automobile insurance plan.

b) Excludes expenditures on provincial tax measures.

Source: Open Policy (2008), Background information prepared for HRSDC.



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