



## Poverty Reduction and Disability Income\*

Thank you for the opportunity to speak today about disability income and its relationship to the federal Poverty Reduction Strategy. Income security and associated supports and services are intrinsically linked and must be considered that way in any Poverty Reduction Strategy. Today, I have been asked to discuss the income security component of this issue.

For many years, the Caledon Institute has put forward various policy options for making Canada's income security system more adequate and robust than its current configuration. We have written about the need for a reformed architecture of income security in which constituent programs are adequate in both absolute and relative (i.e., indexed to inflation) terms, portable across the country and respectful of human dignity.

Caledon's work on the Canada Child Benefit – and its predecessor the National Child Benefit – reflects very powerfully those values. At the other end of the age spectrum, Canada runs an Old Age Security/ Guaranteed Income Supplement program. While it could be improved in certain ways, it acts nonetheless as a guaranteed income for seniors in this country.

But there is relatively little financial assistance available to the 'middle group' of working poor individuals and heads of households between the ages of 18 and 64. Caledon has argued for increases to the federal Working Income Tax Benefit, which is currently too modest to have a real impact on poverty. Moreover, its narrowly targeted design leaves out significant numbers of working poor singles, in particular.

Neither are Canadians in this age group well served by the disability income system. In fact, calling the disparate set of disability income programs 'a system' is an undeserved compliment. The programs are inadequate and do not cohere in any consistent way – with the possible exception of Québec, which has tried in the past to ensure that its various programs work well together.

The disability income system is an agglomeration of disparate programs that were designed for distinct purposes. That reality would not actually be a bad thing if at least all the pieces worked well together. There are three main categories that comprise this system.

The first group of programs provides compensation for injury or loss of function. The main players are provincial/territorial workers' compensation programs, funded by employers. The purpose of these programs is to compensate for the effects of an accident or injury that occurred at work.

The problem is that there is growing pressure on workers to return to employment as soon as possible – with the result that many are getting reinjured and are unable to work at all. They end up on provincial/territorial social assistance (welfare). Many face family breakdown and other major losses, including their primary residence.

Social insurances represent the second category of disability income programs and are funded primarily by employer and employee contributions. In terms of disability, Employment Insurance covers short-term absences from work due to sickness. The Canada Pension Plan and associated Québec Pension Plan provide financial assistance in the event of disability that is severe and prolonged.

These social insurances are not adequately meeting the needs of Canadians with disabilities. First, they protect only those who have made the required contributions to these insurance plans – a subset of the broader population of persons with disabilities. There are also problems specific to these two programs.

At a maximum 15 weeks, the Employment Insurance sickness benefit is not sufficient to cover many conditions, including the rising incidence of chronic illness and many episodic conditions whose symptoms come and go, and which may entail frequent work absences. The sickness benefit within Employment Insurance needs to be improved.

\* This paper was presented at a roundtable discussion on poverty organized on December 8, 2016, by the Pearson Centre for Progressive Policy. It will be included in a summary report to be published by the Pearson Centre.

For its part, the Canada Pension Plan has become increasingly stringent in its coverage of long-term disability. A 2015 report by the Auditor General found that an estimated 57 percent of applications for the disability benefit are rejected – even though about 35 percent of these cases are subsequently accepted upon reconsideration.

The eligibility obstacles to these social insurances and their limited coverage have resulted in the “welfareization” of the disability income system (to cite John Stapleton’s characterization of the problem). At least 500,000 Canadians with severe disabilities are on welfare. This number is only an estimate because there are serious limitations in determining caseload figures.

The federal and provincial governments halted the joint collection of this information in 2008. While Caledon has picked up this work and calculates welfare caseloads on an annual basis, it is difficult in some jurisdictions to separate out basic income recipients from those who are on the program because of disability.

Welfare incomes in all jurisdictions fall below poverty levels – no matter what standard comparator is used. Fortunately, the story is not all bad. The welfare systems in some provinces and territories have a separate stream for persons with disabilities that typically pays somewhat higher benefits than for persons without disabilities. In fact, several provinces have carved out the disability component into an entirely distinct program.

In Alberta, for example, the Assured Income for the Severely Handicapped (AISH) program pays benefits to persons with severe and permanent disabilities that substantially limit their capacity to earn a living. Its asset and income levels are less stringent than regular welfare. In 2015 (the latest available data), AISH benefits amounted to a substantial 95.5 percent of the after-tax low income cut-off (LICO) compared to 49 percent of regular welfare benefits in that province.

Saskatchewan operates a separate disability income program known as the Saskatchewan Assured Income for Disability (SAID). It pays higher benefits (89.3 percent of the after-tax LICO in 2015) than the regular welfare stream of 65.9 percent of the after-tax LICO in that province.

Welfare also offers another important benefit to recipients with disabilities – access to the disability supports required for the activities of daily living. Disability supports consist of both technical aids and equipment, and personal services. If recipients manage to move from welfare to the workforce, they may lose access to these vital goods and services, which can be very costly.

While special benefits are a vital component of the welfare system, they comprise part of the stubborn ‘welfare wall’ that makes it difficult to leave the program. Ideally, these supports would be delivered outside of welfare and made available to all working poor households that require this assistance. Canadians should not have to apply for or stay on welfare because they cannot afford vital disability supports.

Moreover, because social assistance originally was designed as a last-resort safety net, it virtually guarantees a life of poverty. It never was intended as lifetime security. Even when higher benefits are paid, the archaic apparatus of welfare typically remains – with limitations on assets, frequent reviews of income, personal investigations and perpetual stigma.

If nothing else, social assistance benefits for persons with severe disabilities should be bolstered and indexed to ensure that welfare does not mean a life of poverty. Better still, individuals with disabilities should not have to rely on this last-resort program at all. It makes no sense to be on welfare to get access to disability supports that are vital for daily living.

Caledon has proposed a separate income program for persons with disabilities that ideally would be run by the federal government. A new Basic Income would replace provincial/territorial welfare for working age persons with severe disabilities.

A federal benefit would cover the entire country and would be portable between jurisdictions. Someone with a severely disabling condition may want to move closer to family members or friends in order to have an informal network of support.

The design of the proposed Basic Income for persons with severe disabilities could be modelled on the federal Guaranteed Income Supplement for low-income seniors. It would be more adequate than current welfare programs and would be indexed. Eligibility criteria could combine elements of the Canada Pension Plan disability benefit and the disability tax credit, discussed below.

As part of this income security redesign, Caledon has proposed a negotiated accord that would require reinvestment of provincial/territorial savings into a coherent and comprehensive system of disability supports for all persons with disabilities – whether working or on some program of income support. The National Child Benefit is a policy precedent for this proposal. The federal government assumed responsibility for income benefits for children, and provinces and territories reinvested their savings in income and/or supports for low-income households.

The investment in disability supports would detach the delivery of these goods and services from welfare. That step is a crucial advance in making these essential services more available to the general population.

In addition to low incomes, persons with disabilities face other challenges linked to disability costs, which may be relatively minor or very significant. The disability tax credit and medical expense tax credit are two major federal measures intended to help offset both hidden (non-itemizable) and direct (itemizable) costs, respectively.

Because these measures are designed as non-refundable credits, they provide no help to lower-income Canadians who most need the financial assistance. Caledon has recommended that the disability tax credit be made refundable. That conversion would represent a first step in building a new federally-delivered Basic Income. We have also proposed that disability supports be made more readily available through improved provincial/territorial programs rather than through a tax-assisted approach.

A new Basic Income for persons with disabilities would enable the reform of both the disability income and supports components of the equation. Ideally, it would contribute significantly to poverty reduction in Canada.

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