Sickness, Disability and Work: Breaking the Barriers

CANADA : Opportunities for Collaboration



OECD

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Organisation for Economic Co-operation and Development

FOREWORD

Sickness and disability policy reform has been a priority for OECD countries wanting to improve employment and social outcomes in this domain. The recent downturn in the global economy and corresponding fall in labour demand is expected to hit marginalised workers, including workers with health problems or disability, much harder than the broader working-age population. Policy responses taken in the next few years are therefore going to be especially important. Past experience suggests they will have significant consequences for many years to come. In this respect, rising job losses could tempt countries to allow affected workers access to long-term disability benefits to keep down official unemployment figures. This would be a big mistake were it to come to pass. All available evidence suggests these persons would never work again, irrespective of whether the economy improves. Countries who engage in this misguided short-term policy making will find themselves saddled with a significant and effectively permanent welfare burden, currently averaging 2% of GDP across the OECD.

There is a pressing need for policy makers to address the recent "medicalisation" of labour market problems, a phenomenon that appears to underlie much of the difficulties countries find in disability policy making. This is about benefit systems using medical problems (or conditions labelled as such) to determine entry into long-term disability schemes. This has the effect of categorising and managing workers in terms of their disability or incapacity rather than what work they are able to do. The corresponding policy response is to put them on social benefit with no obligation to try to work, even in a reduced capacity. Given most beneficiaries already feel vulnerable because they believe their health makes it harder for them to find work, the fear of losing even a small financial benefit and other entitlements (such as, for instance, dental benefits or pharmaceutical benefits) if they seek work prevents most from trying. In this respect, the benefit system is itself a disabling factor.

The OECD's Thematic Review on *Sickness, Disability and Work* set out to investigate policies and issues affecting inflows into and exits from sickness and disability benefit schemes. Following the formal thematic review of eleven other OECD countries (published in Vol. 1-3 of *Sickness, Disability and Work: Breaking the Barriers*), Canada and Sweden made a request to participate. This report is an assessment of the Canadian situation, albeit through the lens of the federal government and the provinces of Québec, British Columbia and Manitoba. The way that Canada is constitutionally organised as a federation of provinces and territories and in particular its separation of federal and provincial powers, is a uniquely powerful factor in its policy-making process. This report looks at the current state of play following a decade of various reforms and preceding a period where further revisions are likely. The report consists of three sections. Chapter 1 sets the scene by looking at key trends in the past decade and the evolution of Canada's major policy levers. Chapter 2 discusses Canada's key sickness and disability policy challenges and where and how policies could be improved. Chapter 3 looks more directly at what is needed in the short and long-term to make reforms work.

The OECD's analysis is primarily based on a review of major federal initiatives and provincial programmes of the three provinces. The focus is on reviewing how the federal and

provincial public programmes interact to induce more persons with disabilities into work while simultaneously trying to secure enough income for them to be able to overcome the risks of poverty. Workers' compensation schemes, private disability insurances and automobile insurances were not the major targets of the review, but some focus is given to the first two insofar as they have substantial bearing on the objectives of the review. In addition, little attention is paid to human rights legislations and employment standard codes. OECD's recommendations are intended to be valid within this restricted analytical framework.

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TABLE OF CONTENTS

Executive Summary 7

CHAPTER 1. SETTING THE SCENE 13

1.1. Key trends and outcomes 13
1.2. Policy context – Canada as a federation 25
1.3. Major contributing programmes 27

CHAPTER 2. KEY ISSUES AND CHALLENGES 43

2.1. Moving beyond a disability benefit culture 44
2.2. Towards a better organised and co-ordinated system of supports 50

CHAPTER 3. SUMMARY AND RECOMMENDATIONS 63

3.1. Make the system of federation work for people with disability 64
3.2. Move towards a client-oriented framework 66
3.3. Improve programme coverage and benefit take-up 68
3.4. Promote early intervention and access to supports 71
3.5. Strengthen the broader system to work more efficiently 72

Annex. Major reforms in federal policies for persons with disabilities (since 1980) 75

Acronyms 79

Bibliography 81

Boxes

Box 0.1. Summary of the main OECD recommendations to push ahead with structural reform to the disability policy system 10
Box 1.1. Major employment initiatives for persons with disabilities in three provinces 38
Box 2.1. British Columbia's fee-for-service funding model 61

Figures

Figure 1.1. Persons with disabilities are far less likely to be employed all over the OECD 14
Figure 1.2. Persons with disabilities are almost twice as likely to be unemployed, even in good times 15
Figure 1.3. Stable public disability benefit recipiency rates in Canada 16

Figure 1.4. Some of the drop in unemployment was substituted by an increase in disability benefit rolls 17
Figure 1.5. More and more inflows into disability benefit because of mental health conditions 18
Figure 1.6. A shift towards assistance-type payments in Canada but not in the United States 19
Figure 1.7. Persons with disabilities are at greater risk of living in or near poverty ... 19
Figure 1.8. Incomes of non-employed persons with disabilities are very low in English-speaking countries 20
Figure 1.9. Disability benefit levels in Canada are comparatively low for all schemes 21
Figure 1.10. Many non-employed Canadians with disability are not eligible for or do not receive public benefits 22
Figure 1.11. Employment and poverty levels are broadly similar across the three provinces 23
Figure 1.12. Large cross-provincial differences in disability beneficiary rates over the past decade 24
Figure 1.13. The array of federal and provincial benefits for Canadians with disability 41
Figure 2.1. Canada spends relatively little on ALMP, in line with all other English-speaking countries 45
Figure 2.2. Overall spending on incapacity benefits in Canada is just below the OECD average 47
Figure 2.3. Benefit stacking is potentially important but 3 in 4 beneficiaries receive only one benefit 53

Tables

Table 1.1. The disability criterion of CPP-D is stricter than the criteria used in other OECD countries 28
Table 1.2. The array of Employment Benefits and Support Measures 32
Table 1.3. Only a minority of users of Employment Benefits and Support Measures have a disability 33
Table 1.4. Characteristics of provincial social assistance programmes for persons with a disability 37
Table 2.1. Canadians with disability can claim a variety of federal, provincial and private benefits 54

EXECUTIVE SUMMARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Broad policy conclusions	Policy recommendations
1.	Make the system of federation work for persons with disabilities	• Clarify the roles of the different government layers; • Promote good-practice learning across provinces.
2.	Move towards a client-oriented framework	• Promote one-stop-shop service delivery via Service Canada or provincial counterparts; • Implement systematic case management.
3.	Improve programme coverage and benefit take-up	• Better align benefits to tackle coverage issues and where appropriate, promote benefit stacking; • Increase the take-up of employment and labour market programmes; • Move towards a mutual-responsibility framework.
4.	Promote early intervention and access to supports	• Strengthen the early identification of problems in federal insurance programmes; • Make sure that provincial employment support reaches people earlier.
5.	Strengthen the broader system to work more efficiently	• Strengthen the key role of employers and private disability benefit plans; • Continue the move from output to outcome-based funding of services.

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

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

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

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.

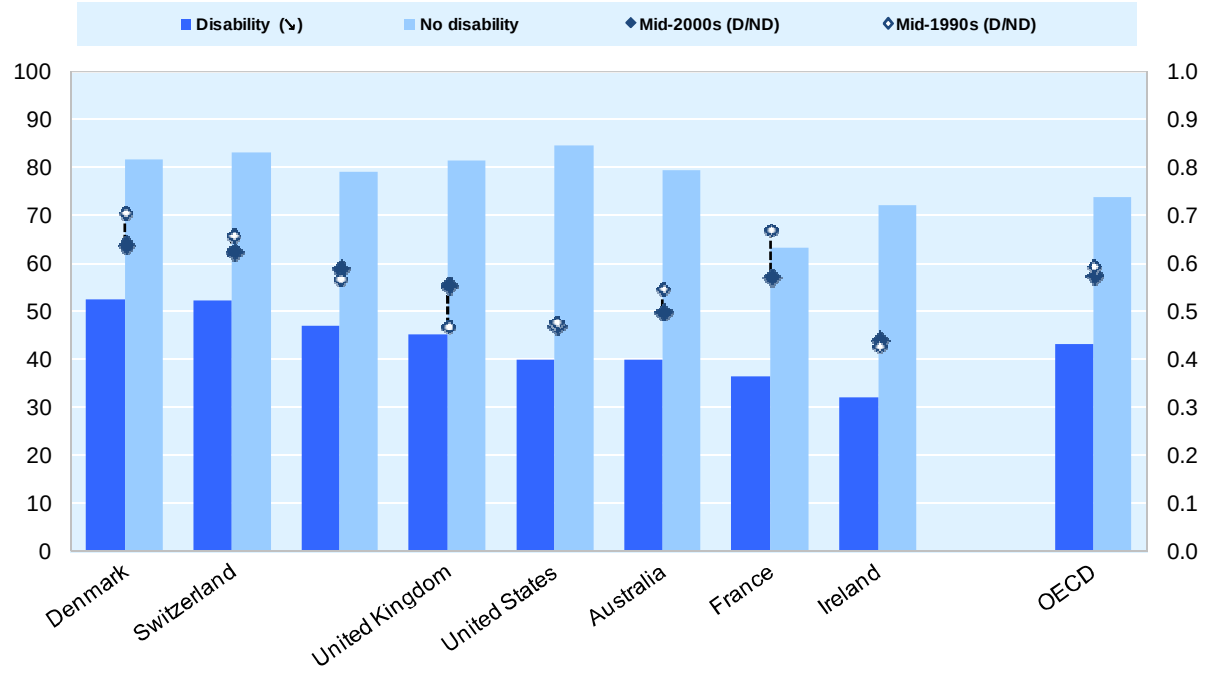
How Canada compares to the rest of the OECD in this regard is looked at in this section in relation to outcomes observed in a number of other OECD countries that are comparable in various respects to Canada: the other major non-European English-speaking countries, Australia and the United States, two 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).

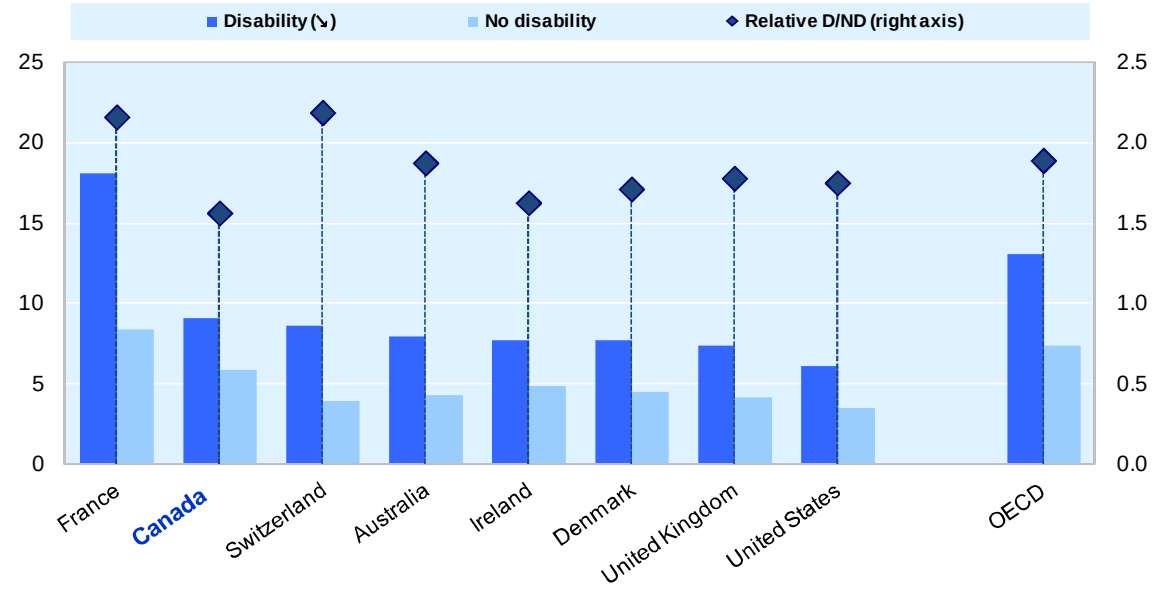
2. The data reported here are based on PALS (Participation and Activity Limitation Survey) which uses a definition of self-assessed disability that is similar and thus comparable to that used internationally. Labour force status is also constructed so to be comparable with surveys for other countries. 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.

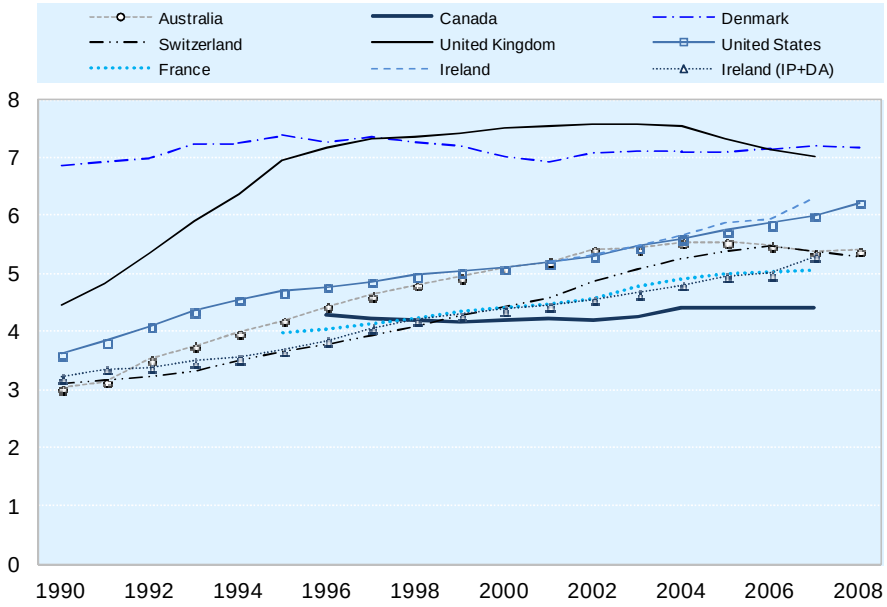
3. Unemployment rates reported here are again based on PALS. SLID-based estimates suggest a lower relative disadvantage of persons with disabilities in Canada. That said, unemployment rates for persons with disabilities and their trend over time ought to be interpreted with caution in view of the higher 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.

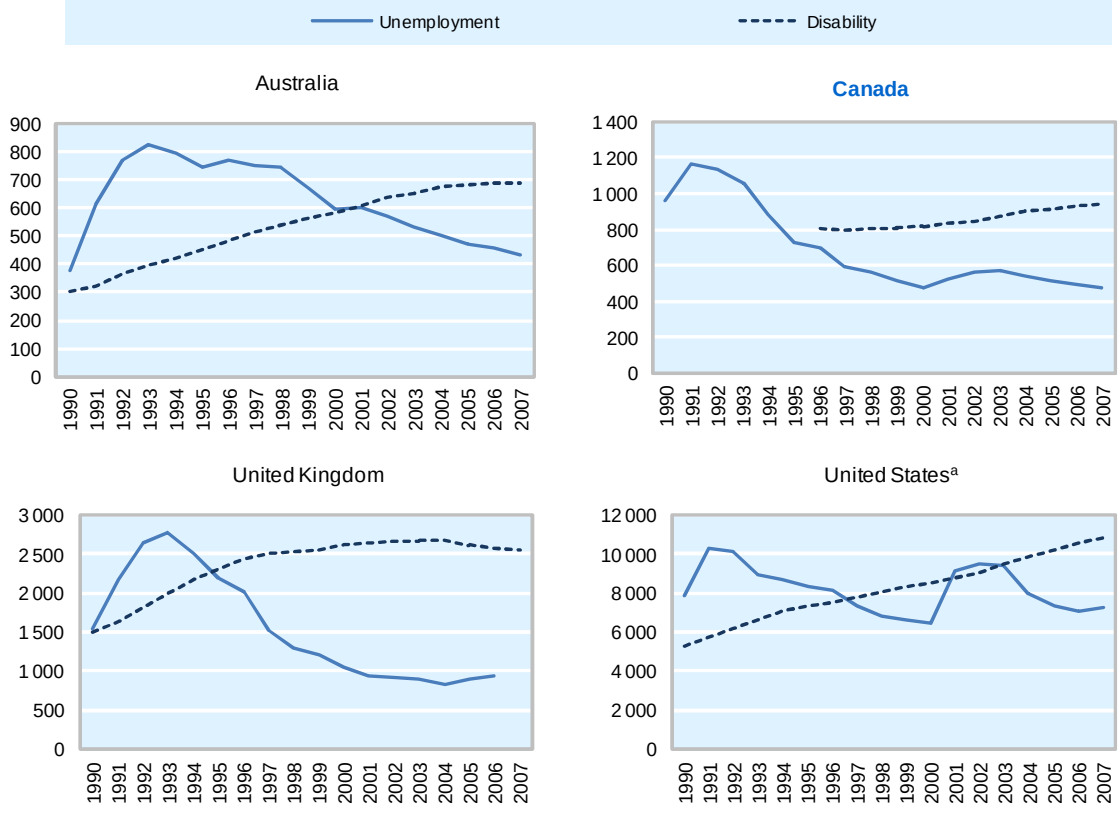
Source: Administrative data provided by national authorities.

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.

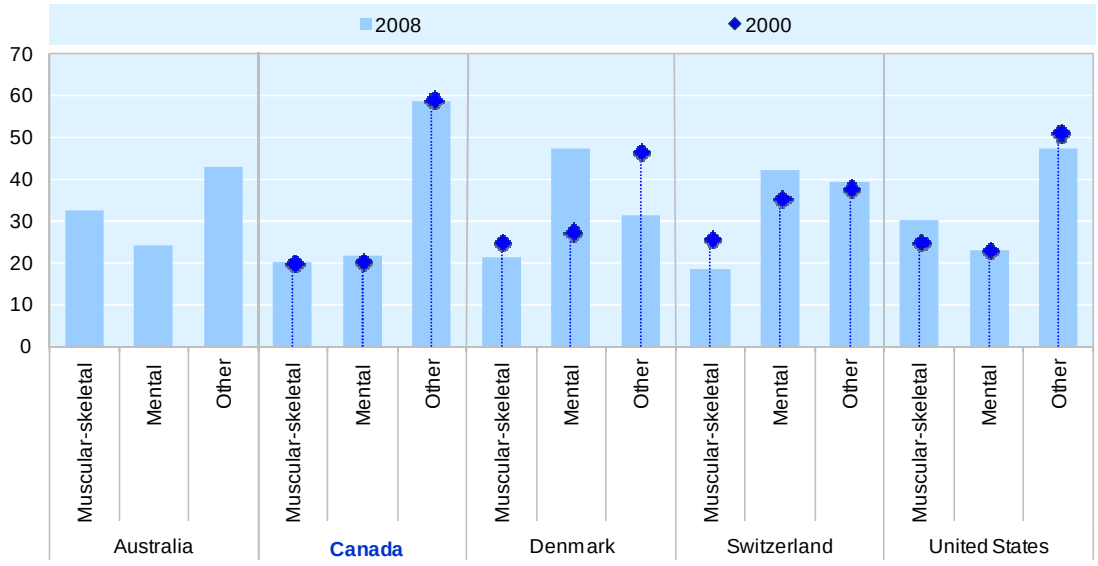
One of the other key trends in recent years in many OECD countries is the rapid increase in mental health problems as a cause for entry into disability schemes. This also seems less pronounced in Canada. The share of mental illness in new benefit claims is around 20%, which is much lower than observed 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]

Persons aged 20-64



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.

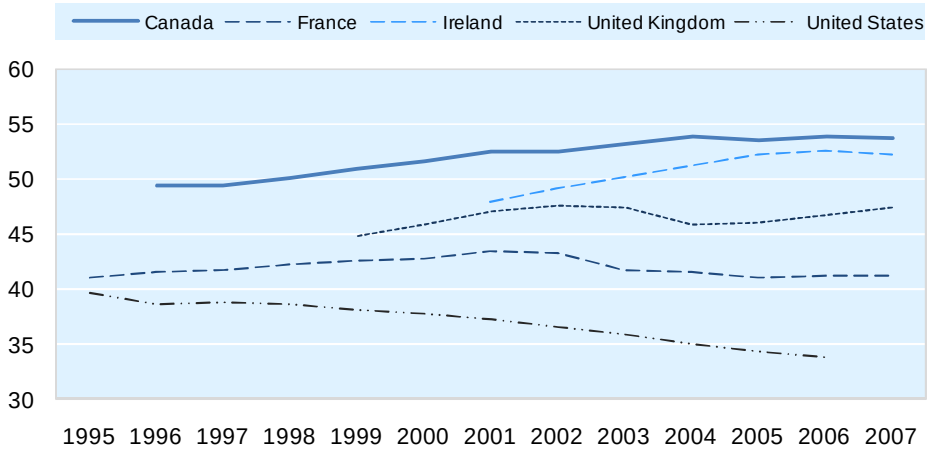
Maybe the biggest challenge in Canada is the high risk of relative income poverty of persons with disabilities, one-third of who have incomes below 60% of the household-size-adjusted median disposable income (Figure 1.7). This is one of the highest proportions in the

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**

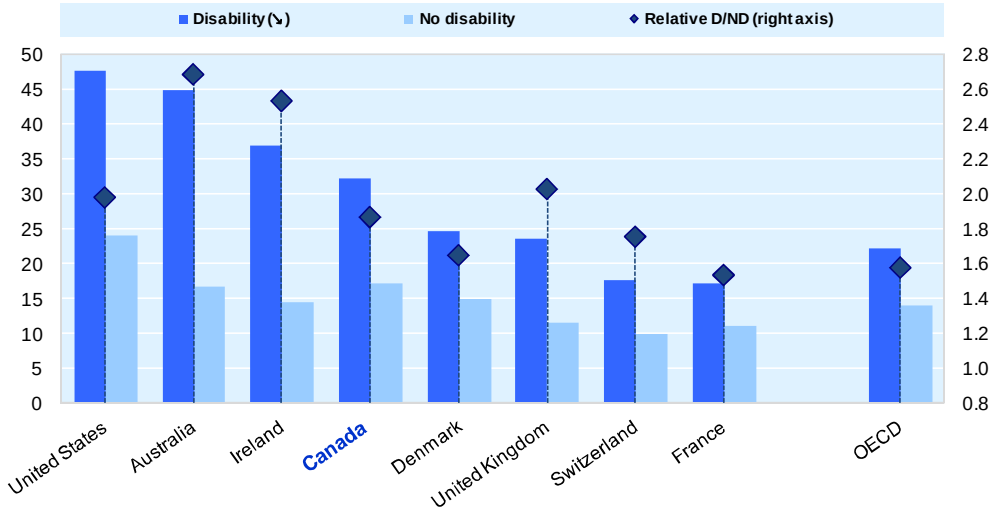
Share of non-contributory claims in total disability benefit claims, 1995 to 2007



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



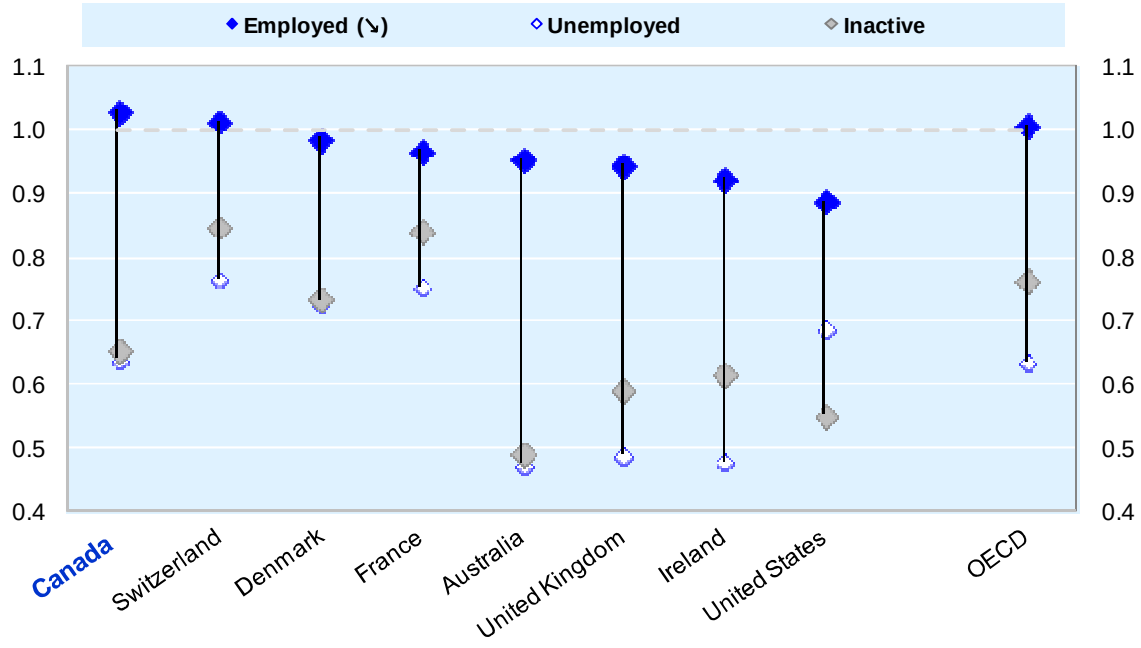
a) Poverty rates: percentages of disabled persons living in households with less than 60% of the household-size-adjusted median disposable income.

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 incomes[6] 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.

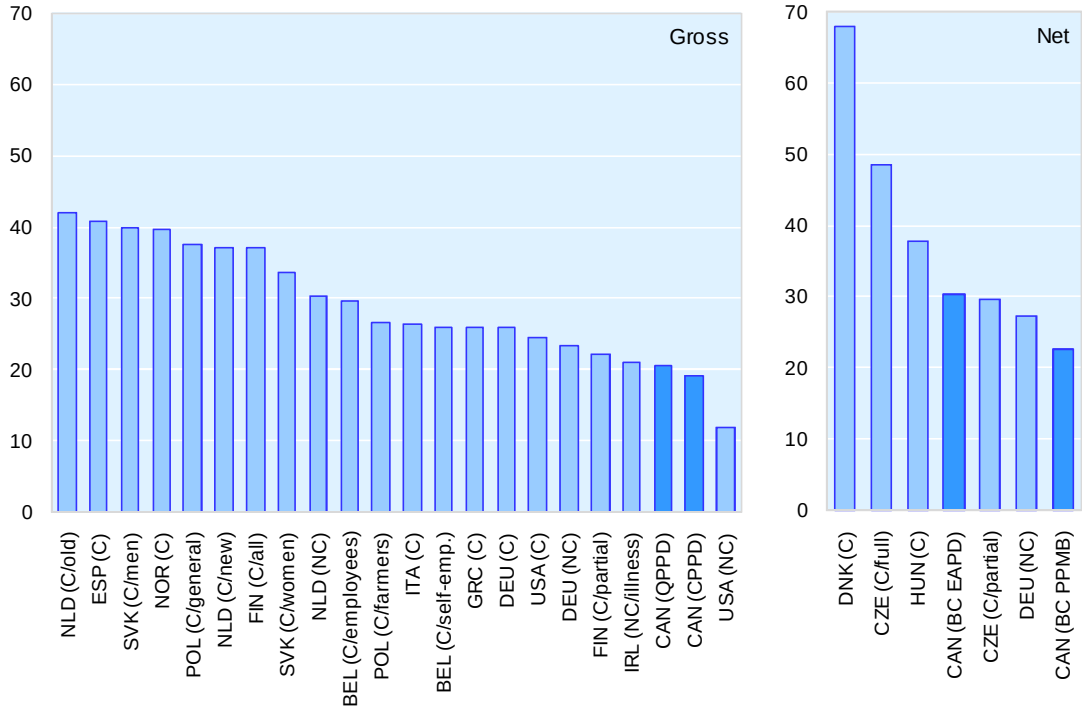
Source: See source in Figure 1.7.

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**

Average benefit levels relative to the average wage of a full-time equivalent employee in 2006, gross income basis (left-hand panel) and net income basis (right-hand panel)



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

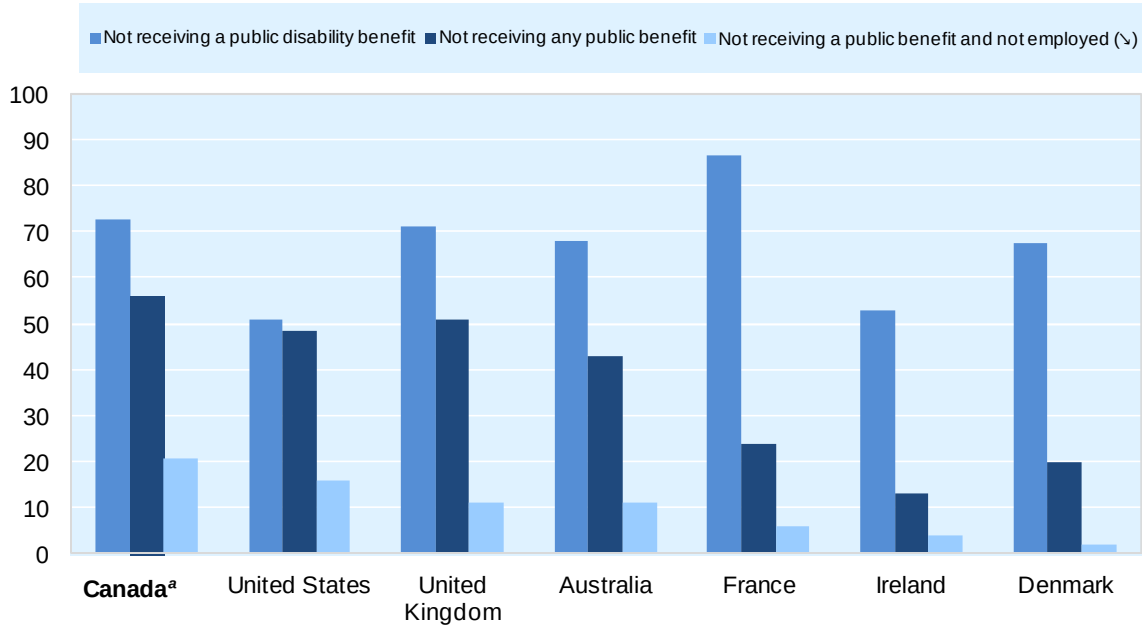
Source: National submissions and *OECD Employment Outlook*, 2008.

This raises broader issues. Survey-based estimates, based on combining information on self-assessed disability status and recipiency 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 rates[7] 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

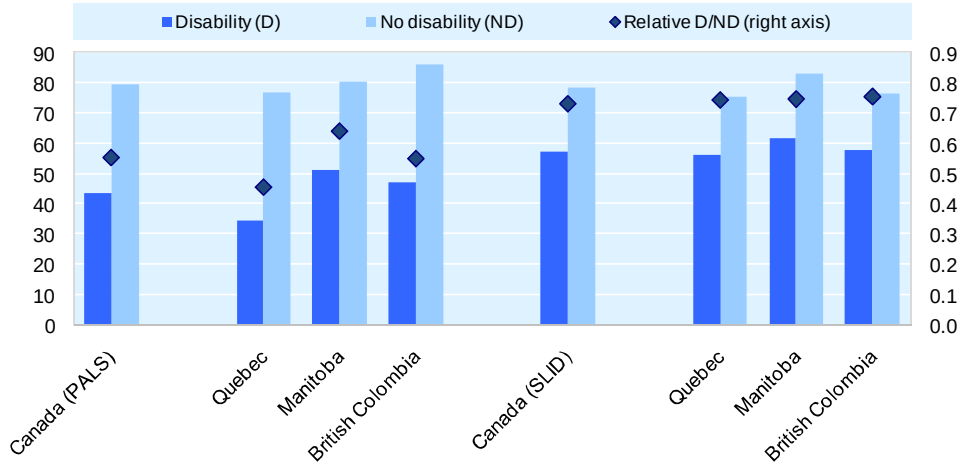
7. The poverty threshold is 60% of median household size-adjusted disposable income, the OECD standard.

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]

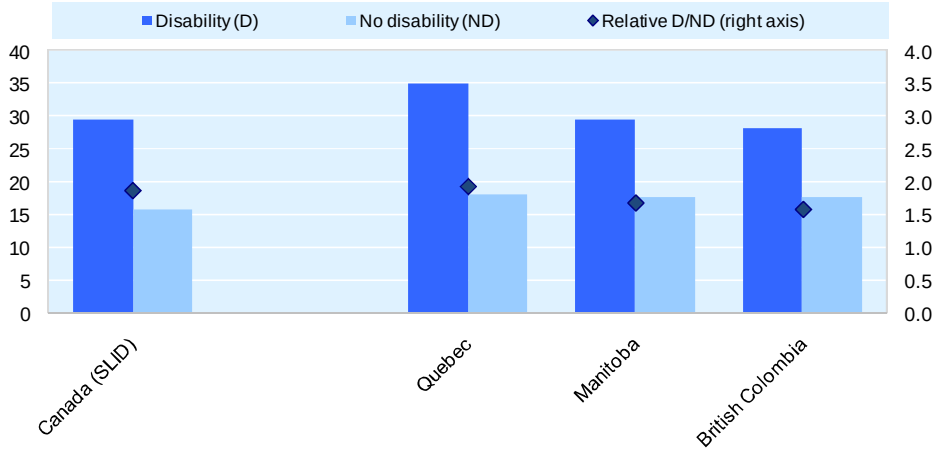
Figure 1.11. **Employment and poverty levels are broadly similar across the three provinces**

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

Panel A. Employment rates by disability status, Canada and three provinces



Panel B. Poverty rates by disability status, Canada and three provinces



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.

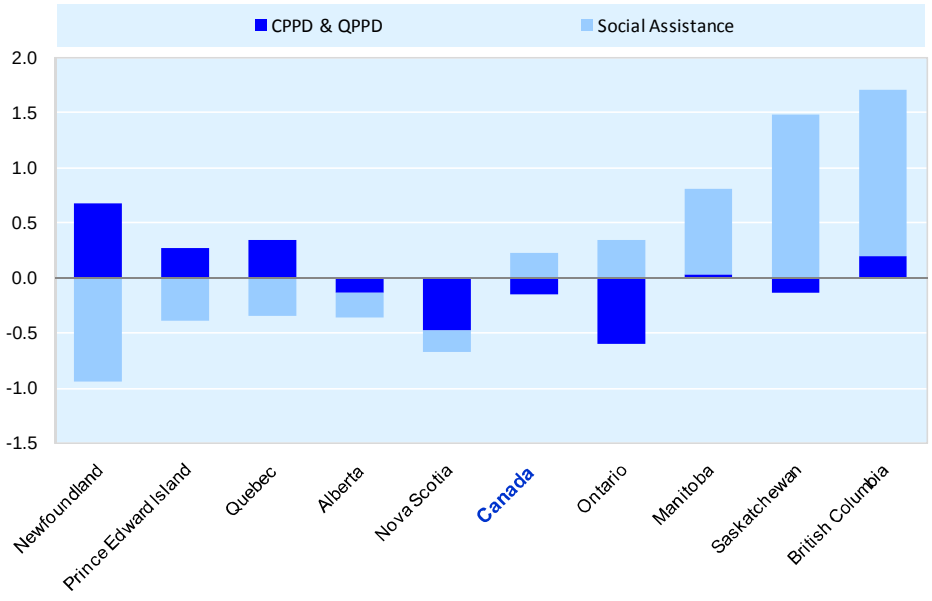
9. Again, due to the definition of self-assessed disability PALS data are far more comparable internationally (see footnote 2). Income, however, is only recorded in SLID; this is why reported poverty estimates for Canada are based on this survey. Poverty estimates based on the stricter PALS disability 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 recipiency rates remained almost unchanged over the past ten years whereas social assistance recipiency has increased substantially (Figure 1.12). In Québec, social assistance recipiency has fallen while QPP-D recipiency 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 recipiency 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]

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 recipiency
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	Invalidity 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	Invalidity 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 *Supplément de retour au travail* 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 conselling)	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.

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

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

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 contintuously 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 insurance[32]

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.

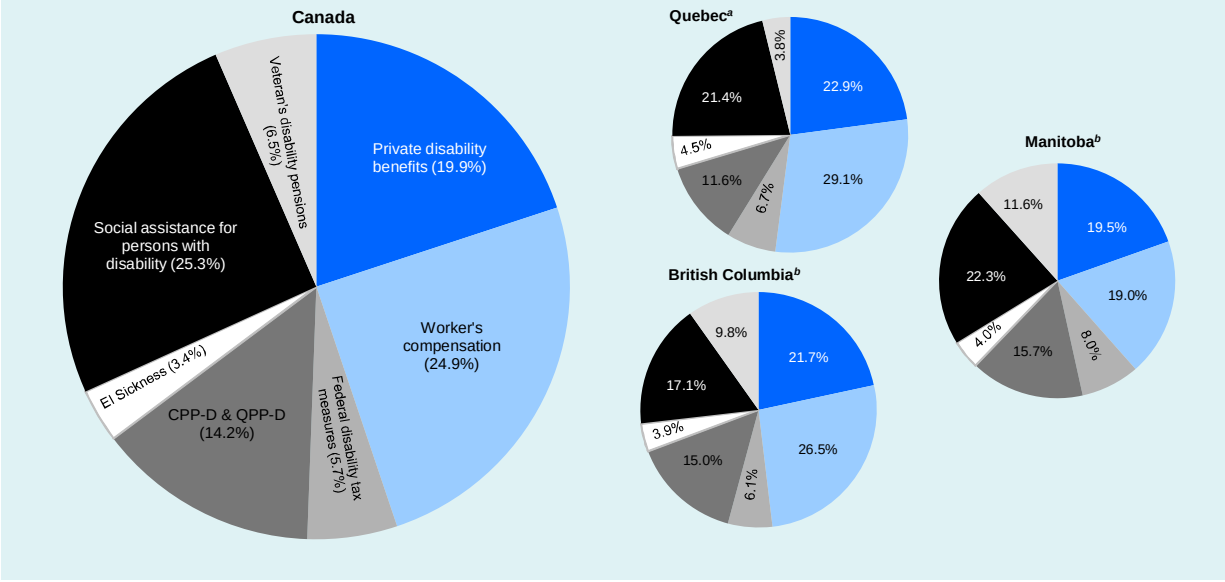
While the place of CPP-D in the overall benefit structure for Canadian persons with disabilities has been relatively constant, LTD has broadened its scope in terms of coverage and expenditure. According to CLHIA, in 2007 LTD plans covered 53% of the total employed workforce, an increase by nine percentage 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.

CHAPTER 2. KEY ISSUES AND CHALLENGES

The previous chapter shows that Canada has some of the major problems seen in most OECD countries, such as low employment and high unemployment of persons with disabilities. At the same time, the international trend towards increased use of disability benefits among the working-age population is not as apparent. While Canada is doing better than other countries in this respect, closer scrutiny of the shift to non-contributory payments as well as high poverty levels suggests low take-up does not necessarily mean that all persons with disabilities are getting the help they need to find work or the degree of income support they need to stay out of poverty. Attention is needed here as the current economic downturn is expected to make access to the labour market for marginalised groups such as persons with disabilities even more difficult, once they become unemployed. Poverty is already an issue for persons with disabilities and could become a major challenge for Canada as the effects of the crisis continue to unfold.

Despite relatively small cross-province differences in most outcomes, two of the three provinces participating in the review are among those in which payments for people with a disability designation have increased significantly during the past decade. Moreover, low labour market participation of persons with disabilities is an issue in Canada as elsewhere. Legislators at all levels of government have a shared vested interest in reforms that will address this. However, much of Canadian policy reform in recent years (see in the Annex for a description of a selection of major reforms in federal sickness and disability policies over the past thirty years) has been piecemeal and with seemingly modest impact on employment outcomes. The Canadian disability benefit and support system is complex, administratively cumbersome and can be confusing to access.

Working ahead, the emphasis of Canadian disability policy has to progress in a concerted way beyond its current focus on incapacity and welfare protection of the "worthy poor"[35] if it wants to realise the employment targets laid out in *In Unison*[36]. This would seem the key challenge for Canada if it is to move beyond the status quo and take on the long-standing task for policy makers at all levels, which is to overcome federal/provincial demarcation issues that currently impede necessary structural and institutional reform and efficient governance.

35. The term "worthy poor" is used to describe a situation whereby attitudinal barriers and cultural biases embedded in programmes, policy designs, data sets, and service delivery systems lead to excluding or segregating disability issues and people with disability from the public domain. See Rioux and Prince (2002) for a discussion of the consequences of characterising people with disability as "worthy poor".

36 . Québec did not participate in the development of *In Unison* because the province wishes to assume control over programmes for persons with disabilities, although the province shared the concerns raised in the document.

2.1. Moving beyond a disability benefit culture

As noted in Chapter 1, the number of Canadians with health problems benefitting from vocational rehabilitation and employment supports of all kinds is low. Similar to a number of other OECD countries, Canadian disability benefit systems still too often appear geared to steer people into welfare dependency and labour market exclusion rather than participation. For instance, systems often still focus on what a person cannot do rather than what work they are capable of. Beneficiaries are required to assert they are incapable of working in order to continue qualifying and in most cases to receive payments. Thus, the system itself has a disabling effect because it imposes a culture of benefit dependency on many people who could otherwise work with the right support and incentives.[37]

Being less competitive in the labour market is essentially a *labour market* rather than a *medical* issue *per se.* However, entitlement for welfare and vocational support is often contingent on an assessment of the latter. The roots of this in Canada and elsewhere are partly historical in that disability schemes were originally conceived to provide a safety net for people incapacitated by serious injury or congenital problems (Jongbloed, 2003). Moreover, inflows into CPP-D in the 1990's were deliberately tightened by restricting entitlement to conditions assessed as medically severe. Paradoxically, this approach is what ends up excluding people from participation in a labour market that would also reduce their risk of poverty. Policies of this kind reflect a *disability benefit culture*, as seen in a number of OECD countries (OECD, 2009). When policy makers come to see persons with reduced work capacity as having a significant economic role to play despite a health problem, there will be an inherent drive to refocus policy investment in innovative ways to help them into work.

A. Welfare versus employment orientation

Both the federal and provincial governments have made efforts to facilitate labour market integration for persons with disabilities. For instance, the federal government directly funds some employment measures through the OF, offers vocational services to a limited number of CPP-D beneficiaries and, through the EI scheme, provides resources to provinces through a number of labour market agreements to facilitate the integration of persons with disabilities into the workplace. On top of this, provincial governments also use their own revenues in tandem with LMDA and LMAPD funds to achieve this.

However, while Canadian policies for persons with disabilities appear to have an employment orientation, what is being done is not very strong compared with some other OECD countries. Overall spending on active labour market programmes (ALMP) for persons with disabilities is less than 0.1% of GDP: 0.06% of GDP for federal programmes plus another 0.01-0.03% of (provincial) GDP, depending on the province, for additional provincial programmes. While this is more than what is being spent in other English-speaking countries, it is much less than the 0.5% (or more) of GDP spent in countries that are making an impact, such as Denmark, and half of the ALMP spending level in Switzerland (Figure 2.1) –

37. This is a strong but necessary generalisation of the underlying problem. As the report shows in various parts, there are various exceptions to this. In particular, workers' compensation programmes are aggressive in offering return-to-work programmes and often require applicable rehabilitation therapy for those injured on the job or who experience work-related illness and often provide significant penalties to employers who do not provide reasonable re-employment opportunities.

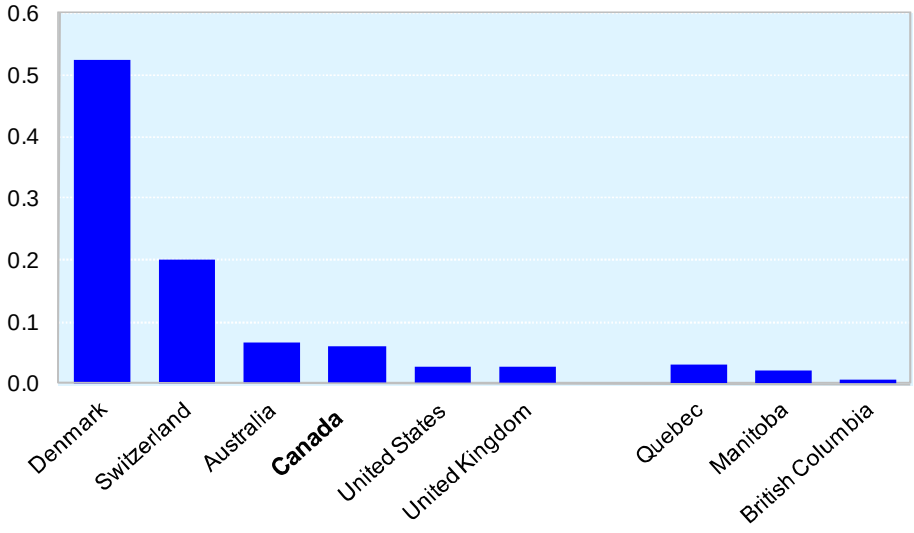
two countries in which the employment rate of persons with disabilities is almost 10 percentage points higher than in Canada. There is considerable room for reorienting Canadian investment towards a more active disability policy to make the expenditure yield better results.

Spending on ALMPs is also fairly low in relation to spending on out-of-work benefits. Depending on the benefit programmes considered for the comparison, ALMP spending in Canada is around 4-6% of total incapacity-related spending. In the vanguard countries in (Northern) Europe this share would be in the range of 10-15% (OECD, 2003), in spite of higher average disability benefits and much higher beneficiary rates (and thus much higher benefit spending) in those countries.

Labour market integration as the ultimate goal of social and employment policy is the driving force behind the spreading *activation agenda* in an increasing number of OECD countries: Increasingly, unemployed persons are required to actively seek work and participate in activities or training that enhances their employability, as a condition for being paid a benefit. In a watered-down form, *e.g.* in the form of regular mandatory interviews with a caseworker, this approach of mutual responsibility is also increasingly being applied for jobseekers with health problems and reduced work capacity. In particular, a number of countries require that all rehabilitation possibilities – of a medical as well as a vocational nature – are undertaken before granting a disability benefit; that is, they offer more support in exchange for expecting more from the applicant.

Figure 2.1. **Canada spends relatively little on ALMP, in line with all other English-speaking countries**

Annual spending on active labour market programmes for persons with disabilities in percentage of GDP, 2005



Note: Provincial spending is in addition to that of the federal government. Data for Canada and its provinces refer to fiscal year 2006/07 and provincial data are expressed in relation to provincial GDP. Data include the following programmes: for Canada, OF and LMAPD; for British Columbia, BC Employment Programme, Community Assistance Programme, Employment Programme for Persons with Disabilities; and for Québec and Manitoba, Vocational Rehabilitation Programmes.

Source: OECD, *Sickness, Disability and Work* (Vol. 1-3), OECD ALMP database, administrative data provided by provincial authorities for Canada.

Activation of this sort is not a feature of Canadian policy, not even for the regular unemployed. In principle, the EI scheme in Canada obligates beneficiaries to submit a report

showing employment status before receiving benefits, ordinarily through a phone call or via the internet, and may disqualify them if they fail to follow reasonable directions given by the government, but in actual practice, participation in EBSMs is still voluntary (OECD, 2007).[38] For persons with disabilities, even such mild form of activation is absent. In all employment programmes available, persons with disabilities are *voluntary* participants. Provincial social assistance regulations also reflect this to a degree. While regular claimants are being increasingly expected to seek paid work, most of those with a disability designation are exempted from this.

In many OECD countries the main force driving the move away from a disability benefit culture is the high and soaring cost of benefit programmes. It is commonly believed that disability welfare cost-containment is less of an issue in Canada. However, in part this conclusion rests with the indicator used for comparison. Public sickness benefit spending in Canada is indeed exceptionally low, at around 0.1% of GDP (exclusive of employer-provided sick-pay during the two-week waiting period),[39] and spending on general public disability benefit programme (CPP-D/QPP-D) is also low, at 0.4% of GDP. Through strict eligibility criteria (CPP-D) and short payment duration (EI-SB), the federal government has been successful in containing federal benefit spending. However, the total incapacity bill including spending for provincial social assistance payments for persons with disabilities, provincial workers' compensation payments and private disability insurance benefits, at 1.8% of GDP, is only just below the OECD average of 2% of GDP (Figure 2.2). Some of these programmes, private disability insurance and workers' compensation in particular, play a significantly larger role in Canada than in most other OECD countries.

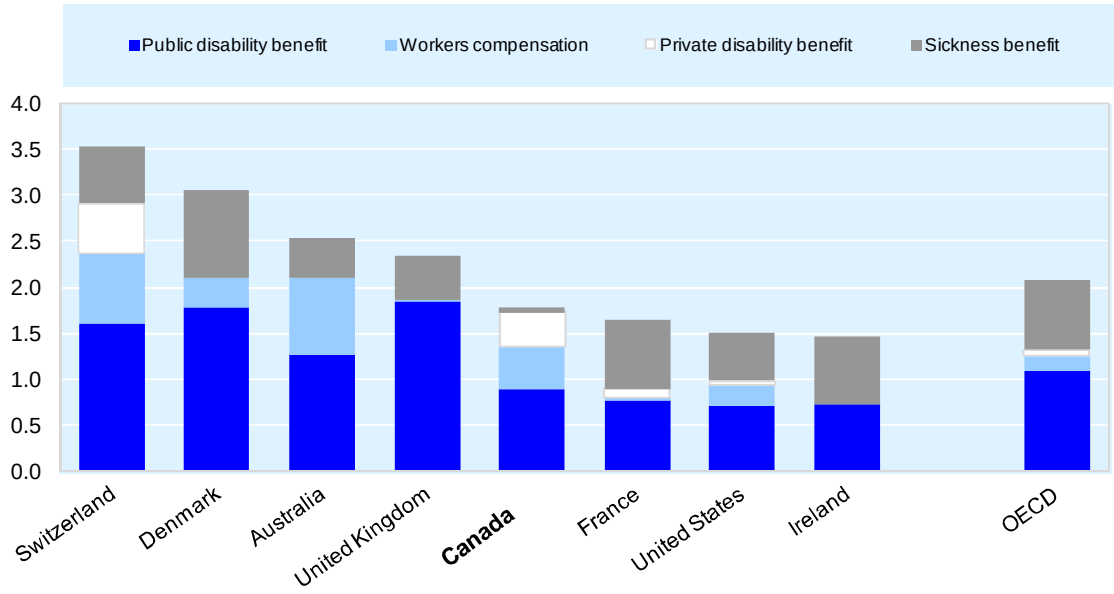
The timing is ripe in Canada for strong employment-oriented *structural* reform despite the ongoing severe economic and jobs crisis. Not only can reform avoid a surge in the inflow into health-related programmes in the course of the downturn, but it can also help to avoid over-proportional job loss among those with weaker health and foster better exploitation of their labour potential as soon as the economy recovers.

38. See also OECD (2008), p.140: "… in practice, Canada does not fix a schedule for regular reporting of job-search actions, does not directly refer EI beneficiaries to vacant jobs and does not require participation in an individual action plan or participation in active labour market programmes."

39. The common availability of paid sick leave as an employment benefit can be one factor contributing to the observed low level of expenditures on public sickness benefits. The significant role of (in this case, short-term) private disability insurance in Canada can be another. Sick leave is in fact another important and common feature of job-related benefit packages in Canada. The Canada Labour Code and provincial employment standard legislations provide protection against dismissal, lay-off, suspension, demotion or discipline because of absence due to illness or injury. The legislations do not have provisions for paid leave of absence, but many employees have access to employer-based sickness benefit. According to SLID 2002, almost half of employees who had an absence of two weeks or more received full or partial pay from their employer (Marshall, 2006).

Figure 2.2. **Overall spending on incapacity benefits in Canada is just below the OECD average**

Annual spending on incapacity benefits in percentage of GDP, by type of benefit programme, 2005



Note: For Canada, the category public disability benefit includes CPP-D, QPP-D, Veteran's Disability Pension and provincial social assistance with a disability designation. Figures are exclusive of disability tax benefits, especially DTC, in the order of CAD 1.5 billion or 0.11% of GDP, which is significantly more than available in other countries (*e.g.* 0.04% in Australia, 0.02% in France and 0.004% in the United States). Sickness benefits in Canada are exclusive of employer-provided payments in the first two weeks of absence (payments which are included for the other countries and which could rise total incapacity-related spending in Canada close to or even above 2% of GDP).

Source: OECD, *Sickness, Disability and Work* (Vol. 1-3), OECD SOCX social expenditure database and data provided by provincial authorities for Canada.

B. Early identification and intervention

In recent years, policy makers in a number of OECD countries concluded that prevention of illness and job retention is the key to improving employment outcomes of people with reduced work capacity. Finding new jobs for persons with disabilities is consistently found to be considerably more difficult than helping them to stay in their jobs. In line with this, countries have reformed their disability policy structures so as to be able to identify problems *earlier* and intervene *faster* if needed. This was, for instance, the main purpose of recent reforms in Switzerland which aimed to reduce the period from the onset of an illness to the stage at which public authorities accepted the case and began to propose remedies. Their research had shown that normally vocational rehabilitation or training would not even be considered before 1-2 years after the health problems had manifested themselves. They concluded that early diagnosis and prevention was a much more cost-effective route to follow.

The situation in Canada is no different than in many other countries in this regard; the longer a person has been away from the labour market, the lower the probability of labour market re-entry. However, policy measures for early identification of health problems and prevention of health-caused detachment from the labour market are not well developed in

Canada – neither in any of the federal programmes nor the provincial disability policies, benefit schemes and employment programmes.[40]

The federal CPP-D and EI-SB programmes are the most universal health-related benefit schemes in Canada. Depending on how premiums and benefits are structured, they could function as useful policy tools in terms of stimulating early detection and prevention of long-term illness and disability. For example, premiums could be experience-rated so that employers have to pay more if a larger part of their workforces experiences long-term illness or disability. Such features are common in Workers' Compensation schemes and private disability insurance programmes in many countries, including Canada, and are increasingly discussed also for general disability benefit programmes.[41] Sickness benefit programmes also have comparable features in many OECD countries in the form of employer-provided sick-pay of several months, and even two years in the Netherlands.[42]

As they are currently administered, the federal CPP-D or EI-SB programmes do not support or encourage early identification and intervention. In the case of CPP-D, the federal authorities start to get involved only after applications for benefits were submitted. This is generally far too late because the applicants have already developed "severe and prolonged disability". Even after submitting an application, in both CPP-D and QPP-D, applicants have to wait for three months before they can start receiving benefits; again, without any measures during this period to help them return to work. Only once payment eventually begins, new beneficiaries are invited to take part in "Return to Work" programmes.

The EI-SB scheme, which offers payments for short-term work incapacity, is even better positioned than CPP-D to become an effective policy tool to facilitate early identification and intervention. However, it has no early intervention tools or measures at hand. Initially, EI-SB has a two-week unpaid waiting period during which no prevention actions by employers or the government are taken. EI-SB payments may last for a maximum of 15 weeks, which is the period of utmost importance for assessing the beneficiaries' health, managing the absences,

40. It should be noted, however, that Canada and provincial partners has invested heavily in the development of training programmes in the area of Disability Management, with the goal of providing human resources experts with knowledge in how to create safer work environments and places where employees with disability can be effectively accommodated in their workplaces. Currently, Disability Management degree granting programmes have been established in British Columbia and Alberta. Disability management has become an integral part of HR practices in a large number of firms in Canada.

41. This is not to say that experience-rating of employer premiums is easily implemented in general disability benefit schemes; there are a number of conceptual questions including who has to pay in the case of (frequent) job changes. Finland and the Netherlands are the only two countries which apply experience-rating to employer premiums paid under their general public disability benefit programmes. The introduction of this feature in the Netherlands around a decade ago has been a major factor in the significant drop in the past few years in the annual number of new benefit claimants (see OECD, 2008).

42 . The difference between employer-provided sick-pay and experience-rated premia to the disability benefit scheme is that in the former case the employer is responsible for paying benefits before the state chips in. Note that in some countries, such as the Netherlands, employers can opt to reinsure this risk in the private insurance market.

and starting rehabilitation processes, but again no such services are offered during this period.[43]

One avenue to expanding the use of experience-rating and early intervention could be through the *Premium Reduction Program* (PRP). Employers enrolling their employees into an eligible private short-term insurance plan that provides benefits essentially comparable to EI-SB are entitled to an EI premium reduction.[44] The rate of reduction is set every year, taking into account savings made by the EI programme in the past three years. In 2008, reduced premiums were paid on about 60% of all insurable earnings in Canada.

It is recognised that many employers provide sickness and disability benefit coverage for their employees through the PRP programme. Private insurers typically offer developed premium schedules that take into account past experience of employers and their industry as a whole. Moreover, they often offer absence and disability management services directly or through employers. However, little is known about the details of these arrangements in Canada and there are no legal requirements governing these programmes in terms of either premium structures or disability-prevention elements.

Provincial systems also lack mechanisms to identify and tackle health problems early so to prevent long-term disability. Due to inbuilt waiting periods in social assistance schemes, users of the system will often have struggled in the labour market for several years, hence it is more difficult for provincial authorities to reach people at an early stage. Many social assistance clients over time transit into the special assistance scheme for persons with disabilities (which typically gives a somewhat higher payment and an exemption to seek work). Similarly, a large proportion of those on the latter scheme have typically been on regular social assistance at an earlier stage. Yet, there are no systematic procedures to monitor regular clients' health status and identify clients at risk of long-term recipiency at an early stage to offer rehabilitation-type services quickly.

C. Role of employers

Employers are uniquely well placed to support and facilitate prevention and early intervention measures that will keep persons with disabilities in the workforce. Many countries have recognised their key role and are transferring increasing responsibilities to them. First, employers have to be required to make greater efforts to prevent illness or disability by providing safe workplaces. Secondly, when an employee shows signs of repeated or long-term sick-leave, employers should monitor the situation carefully to avoid the slippery slope into labour market detachment. Standard labour codes as well as legislation facilitate and govern safe workplaces in Canada. With regard to repeated sickness absence turning into long-term labour market detachment, however, except for supports for disability management training, not much effort can be seen at the federal or provincial level.

Provincial rehabilitation programmes for individuals with disability are generally focused on *medical rehabilitation*. They are based on a medical perspective and run under the authority of

43. Historically, the amount of sickness benefits used has been consistent around 9.5 weeks and the proportion of those who used all 15 weeks has also been consistent at around 30%.

44. Basic requirements to be satisfied by the short-term insurance plan include providing at least 15 weeks of benefits, matching or exceeding the level of benefits provided under EI-SB, and paying benefits to employees within 14 days of illness or injury.

health ministries, through service providers who are medical experts, without much involvement of employers. *Vocational rehabilitation* programmes that are mostly administered by labour ministries tend to target employees who *already* have a disability and who have typically lost their job already – and hence do not involve employers either. Except for people with job-related injury or sickness for whom rehabilitation services and/or workplace accommodation can be procured under the workers' compensation schemes, persons who are currently employed but developing a long-term health problem or disability are frequently left without any effective supports.

The co-operation of employers is essential when it comes to finding new jobs for jobseekers with health problems or disability. In Canada, there are several federal and provincial programmes encouraging employers to integrate persons with disabilities into their workforce. For example, the *Targeted Wage Subsidies* programme was designed to encourage employers to hire individuals they would not normally hire in the absence of a subsidy. Available for unemployed workers eligible for EI, the programme temporarily subsidises up to 100% of the wage (depending on the jurisdiction and the individual circumstances) and all or a portion of any costs to address special needs such as workplace accommodation. Similar programmes are available for individuals who are not eligible for EI Part II assistance. Also, Labour Market Partnerships, an EI-linked Support Measure, can help employers to improve their capacity to deal with human resource needs and to implement labour force adjustments. Furthermore, in British Columbia, the Minister's Council was formed in recognition of the critical partnerships between employers, community, and government agencies. It undertakes projects to work with communities and employers to ensure they are aware, networked and supported to include persons with disabilities into their workplaces.

In addition, there are obligations for employers. Both the federal and provincial governments have human rights regulations that require employers to accommodate workplaces to the needs of persons with disabilities. However, these regulations have limited impact due to "undue hardship" clauses that allow employers to circumvent this obligation. Aside from having to pay the due amount of contribution to federal/provincial insurance schemes, Canadian employers are not subject to other material duties or responsibilities that employers in other OECD countries are facing *e.g.* with regard to absence monitoring and vocational rehabilitation planning or in the form of mandatory employment quotas.

In an economy with higher levels of employment, persons with disabilities may be seen as a valuable source of labour by employers. A recent HRSDC analysis found that people experiencing the onset of a long-lasting health condition leading to impairment were more likely to remain in the same full-year, full-time job than other people. This phenomenon may be the result of a strong attachment and inertia. If this behaviour is widespread among persons with disabilities in Canada, employers may want to hire them to secure a stable labour force in a tight labour market and to reduce turnover (Fawcett and Spector, 2008).[45]

Anecdotal reports from an NGO (see Wright, 2008) indicate that, while negative stereotypes persist, many businesses have now come to understand diversity as a "business issue" and are taking steps to enhance diversity in the workplace. The NGO further argues *i)* that the lack of easy and quick connections between jobseekers, employment agencies and

45. This inertia effect may also explain the higher full-time employment rate of persons with disabilities in Canada. Unlike other countries, in Canada relatively more persons with disabilities have full-time jobs. Another possible explanation for this finding, however, is that many workers with disability may prefer a full-time job to maintain their income.

employers is the main obstacle to employing persons with disabilities; and *ii)* that it is necessary to develop a one-stop-shop service for employers, who are willing to hire persons with disabilities.

2.2. Towards a better organised and co-ordinated system of supports

Being a federated nation has merits from a policy-making perspective. First, provincial governments are physically and sentimentally nearer to their constituents, and arguably more receptive and accountable to them. Secondly, addressing the same challenges in a similar policy environment, autonomous provinces can experiment with varying approaches and other provinces can benefit from good practices.

However, the gradual devolution of responsibilities in recent decades has left a gap insofar as there is no central policy co-ordinating mechanism, which means that each province and territory offers its own level of coverage. There is currently no systematic means of identifying and sharing innovative practices developed in particular localities.[46] The replication of administrative systems in each province is also arguably not cost-effective. Though Service Canada could act in a central co-ordinating and administrative capacity, it is deliberately not used in this way for fear of compromising provincial autonomy.

Getting Canadians with reduced work capacity back to work needs to become a high economic priority, rather than just a socially desirable outcome, for there to be sufficient political will for policy makers at the federal and provincial levels to work together to achieve necessary structural reform. Canada has significant unique challenges that will only be solved through strong bi-partisan co-operation between federal and provincial policy makers. The embedding of key legislation such as CPP-D and EI into core legislation means it is near impossible to expect that inherent problems with these schemes will be solved by either the federal or individual provincial governments working alone. The current approach, which is one of provincial authorities trying to patch gaps in coverage with various additional measures, has only resulted in each province having different versions of a complex and cumbersome system that impedes rather than expedites labour market participation. Despite the influence of *In Unison,* policy makers across provinces are very often working in isolation from each other and from their federal counterparts. The fact that *In Unison* was created as a cross-provincial and federal agreement means that it is possible for policy to be developed in harmony by these parties. Provinces need a forum where they can sit down together and agree on what the federal government can do for them collectively that will simplify their respective systems – and which they cannot easily achieve themselves in a cost-effective way.

A. Patchwork benefit system

Canada's decentralised system of government has facilitated a patchwork array of benefits. Persons with disabilities may draw upon as many as six public or private federal or provincial income-support programmes. These include CPP-D, EI-SB, DTC and other tax measures, provincial social assistance and workers' compensation programmes, and private long-term disability insurance (as well as a number of other smaller benefit programmes such as Veterans' Pensions and Violent Crime Victimization Programs which are not discussed further

46. To some extent, sharing on good practices and other issues happens in the federal/provincial/territorial Deputy Ministers' Table on Service Delivery Collaboration and their Forum on Social Services.

in this report). Moreover, federal and provincial benefit schemes have different objectives, eligibility conditions and assessment processes, and varying capacity to make allowances when competing requirements are being imposed on a client by the different systems.[47] Policy development in the provinces is typically not undertaken in partnership with other provinces or the federal government. There have not been many efforts by policy makers from the various jurisdictions to come together to simplify the processes and requirements.[48]

Payment levels in individual income-support programmes in Canada are relatively low by international standards (as a percentage of the average full-time wage) and often not enough to secure an adequate standard of living, as measured by the OECD relative low-income measure. Comparing the level of benefits in Canada with other countries demands careful analysis, because a person with disability can receive more than one benefit simultaneously and, depending on the types of benefits combined, the actual payment may be quite different from the arithmetic sum of the eligible benefits. CPP-D and workers' compensation in some provinces are deemed as "first payers" because they allow other benefits to be stacked up on top of them (*i.e.* collected in addition).[49] Provincial social assistance programmes, on the contrary, will deduct, dollar for dollar, the amount of benefits beneficiaries receive from either CPP-D or workers' compensation; in fact, like the private insurers, provinces routinely ask income-assistance applicants to apply for CPP-D. Meanwhile, federal income tax excludes the amount of workers' compensation and provincial social assistance from the income base, but does not exclude CPP-D or QPP-D entitlements; accordingly, the income-securing purpose of CPP-D and QPP-D is partly offset by the tax amount.

These various regulations are mirrored in the distribution of persons with disabilities across types of benefits, as estimated on the basis of the 2006 round of PALS:[50]

- First, as described in Chapter 1, despite the large number of payments available many persons with disabilities do not receive any benefit – with around one in five (and more

47. For example, virtually all benefit systems adopt the notion of "severe disability" as the core of their eligibility requirements, but the particular definition and criteria used are as numerous and diversified as there are jurisdictions.

48. One notable exception can be found between CPP-D and QPP-D. Programme and operational development have been consistently co-ordinated between the two since 1966. The QPP-CPP "equivalence" makes pension entitlement fully transferable between the two plans, so that clients who have contributed to both can claim their benefits as though they had contributed to only one of the two plans. The increasing mobility of workers within Canada has led over the years to a rise in the proportion of those who have contributed to both the QPP and the CPP. Between 1990 and 2007, the proportion of new QPP-D recipients who contributed to both plans more than doubled, rising from 7% to 16%. Thus, the proportion of QPP recipients who have also contributed to the CPP should continue to rise. In 2004, one Québec worker out of four had previously contributed to the CPP. That being the case, the *Régie des rentes du Québec* sits on various steering and operational committees with the federal government, including the federal/provincial/territorial committee tasked with the triennial review of the CPP, in order to help provide Québec residents with services equivalent to those available in the rest of Canada.

49. As noted in Chapter 1, Québec is an exception. Under the "single-payer" rule, applicants in Québec can be eligible for either QPP-D or workers' compensation, but not both.

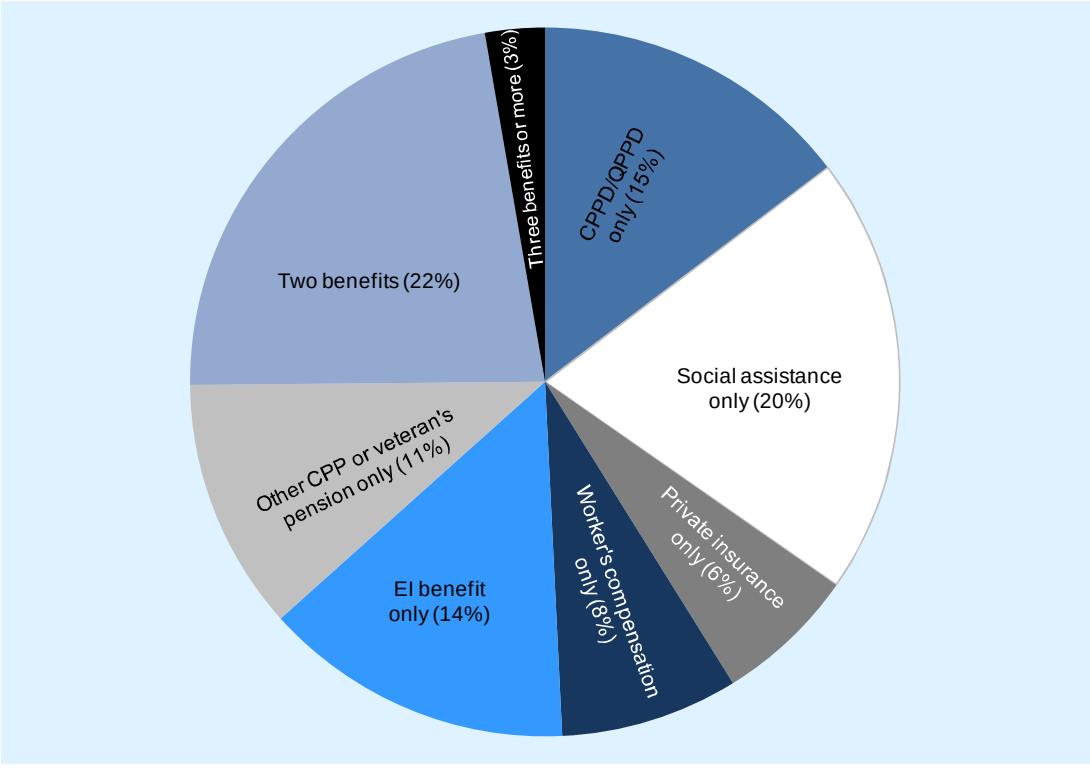
50. Due to data limitation, it is not possible to observe the sequences (or different spells) of benefit receipts during a given year. Consequently, one cannot assume with total confidence that payments were either sequential or concurrent.

than one in four of those with severe disability) neither being employed nor receiving any public benefit.

- Secondly, three-quarters of those who are beneficiaries receive one benefit only (Figure 2.3). Among them, roughly one-quarter relies on social assistance and one-fifth receives either a CPP-D/QPP-D or an EI payment. Together, these three programmes account for almost half of all beneficiaries.

Figure 2.3. **Benefit stacking is potentially important but three in four beneficiaries receive only one benefit**

Distribution of beneficiaries with disability by type of benefit received, 2006[a]



a) Private insurance includes private motor vehicle insurance.

Source: PALS 2006 (special compilation prepared for the OECD by HRSDC).

- Thirdly, 22% of all beneficiaries receive two benefits and 3% more than two benefits. Of those receiving two payments, 60% obtain CPP-D/QPP-D – reflecting the first-payer role of this system (Table 2.1). Put differently, every second CPP-D/QPP-D recipient obtains one other benefit.
- Fourth, the majority of those who receive social assistance receive no other benefit. The same conclusion holds for those who receive an EI payment.
- Fifth, private disability insurance is in most cases a top-up to other payments. The single most frequent two-benefit combination, therefore, is that of a CPP-D/QPP-D benefit with a private disability insurance payment – comprising one-quarter of all two-benefit cases and 6% of all beneficiaries.

- The overall conclusion from this benefit distribution is that benefit stacking is not frequent enough to counterbalance the low individual payment levels.

Allowing benefit-stacking for persons with disabilities is normally not considered a good practice, for a number of reasons. These include especially equity problems arising from either over or under-payment, with people in similar circumstances and household conditions receiving different levels of benefits, depending on the type and mix of payments.[51] Benefit-stacking also risks undermining the underlying intent of the policies involved.[52]

Table 2.1. **Canadians with disability can claim a variety of federal, provincial and private benefits**

Distribution of beneficiaries with disability by type and number of benefits received, 2006[a]

	Total recipients, of which…				Percentage distribution		
	Total recipients	One benefit only	Two benefits	Three or more	In % of one benefit only	In % of two benefits	In % of all recipients
One benefit only							
CPPD/QPPD	356 570	177 250	160 790	18 530	20		15
Social assistance	350 590	242 170	93 710	14 710	27		20
Private insurance	221 080	77 740	118 430	24 910	9		6
Workers' compensation	170 170	97 910	55 790	16 470	11		8
EI benefit	228 400	171 180	48 800	8 420	19		14
Other CPP or Veterans	222 900	138 750	64 070	20 080	15		11
One benefit only (total)		905 000			100		75
Two benefits							
CPPD/QPPD + Private Ins.			71 160	12 910		26	6
CPPD/QPPD + Social Ass.			51 200	7 900		19	4
CPPD/QPPD + Work. Comp			23 740	7 670		9	2
Social Ass. + EI benefit			21 290	3 380		8	2
Social Ass. + Other CPP			14 970	7 480		6	1
Other combination			88 440			33	7
Two benefits (total)			270 800			100	22
More benefits							
Three or more benefits (total)				32 970			3
All benefits (total)	1 208 770	905 000	270 800	32 970			100

a) Private insurance includes private motor vehicle insurance.

Note: Data on two respectively three or more benefits are presented from the point of view of the benefit given in the first column, *e.g.* of those 356,570 people who receive a CPP-D/QPP-D benefit, 160,790 receive some second benefit and 18,530 two or more additional benefits. As a result, these numbers cannot be cumulated across benefits because a person receiving, say, both CPP-D/QPP-D and social assistance would be counted in both rows.

Source: PALS 2006 (special compilation prepared for the OECD by HRSDC).

A system with multiple possible combinations of benefits means that clients have to invest extra time and energy in finding exactly what benefit, or benefits, they are entitled to. In addition, access to payments is strict and difficult, not least because of the low level of communication

51. In this regard, it is notable that QPP-D is regularly reviewed to improve co-ordination in the event that benefits are combined with *e.g.* workers' compensation or automobile insurance payments.

52. For example, in the Netherlands in the late 1990s reforms involving benefit cuts were frequently countered by "topping up" the income losses through subsequent collective agreements (OECD, 2008). Similarly, Swedish sickness benefit reform in the 1990s was repeatedly overruled, or at least its intentions undermined, in the same way (OECD, 2009a).

between the federal government and its provincial counterparts in the design and administration of their respective benefits. The result of this setup and structure appears to be sub-optimal coverage and benefit take-up. Canada's governments, at both federal and provincial level, will have to do their utmost to make the available benefits more accessible for potential beneficiaries.

B. Adequacy of coverage and risk of poverty

A benefit system is of limited value if it does not cover the persons in a community who need its support. The difficulty in accessing this patchwork of benefits is reflected in the higher share (higher than in most other OECD countries) of persons with disabilities, especially those with severe disability, neither receiving any public benefit nor having a job.

However, low benefit take-up is also due to the need to satisfy contribution requirements (CPP-D, EI-SB) or to pass needs-tests (provincial social assistance). In the case of EI-SB, for instance, applicants must have accumulated more than 600 hours of work during the previous year. Together with the limited scope of EI coverage (the self-employed are excluded), this requirement contributes to narrowing the access to EI-SB.[5354] This is a particular problem also for persons with disabilities returning to work from a state of benefit receipt; evidence from Québec, for example, shows that only around one in ten of those former QPP-D recipients successfully moving into employment had worked sufficient hours to be able to make an EI claim.

Other than this, low coverage is also a result of strict medically-defined eligibility criteria which can prevent many people with reduced work capacity from accessing employment support that could get them back to work or at least back into the labour force. Applicants for CPP-D, but also, to a lesser extent, DTC and provincial assistance programmes need to be able to prove that their disabilities are so severe that they either cannot engage in meaningful work or they are markedly restricted in basic activities of daily living.

The tightening of contribution and eligibility requirements for the contributory programmes over the past 15 years partly explains the increasing trend in take-up of provincial social assistance payments by persons with disabilities, as shown in Chapter 1.[55] These programmes

53 . It is difficult to see exactly how much the access to EI-SB is restrained by the EI coverage and the contribution requirement. Statistics say that about 85% of Canadian workers are EI-insured (*i.e.* pay premiums), and among employees who have paid premiums, over 90% have sufficient hours to collect EI special benefits including SB should they need to. However, persons outside the scope of the EI programme (most notably the self-employed) are naturally not counted in these figures. In the case of EI *regular benefit* where the contribution requirement varies through regions from 420 to 700 hours of work pursuant to the regional unemployment rates, the beneficiaries to unemployed ratio (B/U ratio) at the national level was 45.4% in 2008.

54 . On November 3, 2009, the Government of Canada tabled legislation (Bill C-56) to provide EI special benefits to the self-employed on a voluntary basis, which include maternity, parental, sickness and compassionate care benefits. On December 15, 2009, Bill C-56 received Royal Assent and became law. As of January 31, 2010, self-employed persons can opt into the EI programme and they can begin to apply for special benefits as of January 1, 2011.

55. Likewise, the coverage of private long-term disability plans (LTD) has also steadily increased for a long period, although it is now stagnant at around 55-60% of the total employed workforce (2006) – mostly those workers who are also covered by EI and CPP-D, as the data on benefit-stacking suggest.

are indeed "the last resort" for those on the brink of poverty. Most provinces have seen increases in the persons-with-disability subgroup of their social assistance caseload, often as in British Columbia in parallel to some drop in the size and share of the regular, expected-to-work subgroup (Richards, 2007), suggesting a certain substitution effect.

Being under the coverage of one or more benefit umbrellas is important for beneficiaries, not just to enjoy better income security, but also to be able to get more, and more adequate, employment services. CPP-D will offer its beneficiaries Return-to-Work Supports, while those who are EI insured can benefit from Employment Benefits such as Targeted Wage Subsidies that are not open to the non-insured. Provincial assistance-programme clients can participate in a variety of employment services on a voluntary basis. For those persons with disabilities who are not covered by any benefit scheme, provinces have built strategies and programmes; but it is not possible to estimate how many of those individuals not covered by established benefit schemes are in fact enrolled in these alternative schemes.

C. Devolution of responsibilities

Notwithstanding the rigidity arising from the embedding of federally administered insurance schemes into core legislation, Canadian history shows that its legislation can and has been interpreted differently, resulting in very different styles of government. During an earlier period of "co-operative federalism", the federal government of the 1960s and 1970s played a conspicuously leading role in disability policy making. In the current "framework federalism" era, provincial governments predominantly control the process of designing and administering policies. The shift in powers has been considerable and provinces in Canada are now much more self-determining.[56]

In the past, the federal government has devolved most policy making to the provinces. By way of example, transfer-type LMDAs run directly by the provinces are increasing while those co-managed with the federal government are disappearing. Today, virtually all employment programmes fall under the realm of provincial governments where the federal government is a silent partner in bilateral or multilateral agreements, contributing funds with little say over how they are dispersed and receiving minimal feedback about what has been achieved for the expenditure.[57] In addition, reporting requirements of the provinces to the federal government were gradually reduced. For example, when LMAPDs replaced EAPDs in 2004, one of the main changes was allowing more flexibility in reporting requirements, in contents as well as formality.[58] The provinces have no obligation or need to report in detail to the federal government about what has been purchased or achieved with its funds.

56. For more details on the historical background of Canadian social policies, see Battle *et al*. (2006).

57 . In order to access LMAPD funds earmarked for its jurisdiction, a province has to submit to the federal government an annual planning showing the priority areas to be addressed, descriptions of the programmes to be delivered and projected expenditures. Receipt of this plan initiates payment. An annual audited statement of expenditure must be submitted to demonstrate alignment with the plan.

58. Detailed reporting requirements in EAPD, like programmatic service time for each client and for each service delivery worker, were dropped in the LMAPD agreements. This reflects in part the difficulties in reporting because of the diversity in programmes and recipients. The federal government has no veto power in LMAPDs. Provincial governments report to the public directly (Graefe and Levesque, 2008).

Also on the benefit system side there is ongoing gradual "de facto" devolution of responsibilities to the provinces, with relatively more and more beneficiaries on provincial rather than federal payments. The CPP-D recipiency rate and EI coverage have remained stable while the number of provincial social assistance beneficiaries as well as private long-term insurance recipients is increasing.

The only area where the federal government has major scope to influence disability policy with minimal involvement of the provinces is through federal income tax relief, as detailed earlier. Important federal policy initiative with regard to persons with disabilities include the reform of the income tax system in line with the report by the Technical Advisory Committee on Tax Measures for Persons with Disabilities, issued in 2004, [59] and, more recently, the introduction of WITB and RDSP. However, tax measures as policy tools for persons with disabilities have significant limits. For instance, because the disability tax credit (DTC) is non-refundable, it is of no benefit to the very poor who do not earn enough to pay income tax. In addition, a 2001 survey found that the complexity of the tax structure prevented the majority of potential beneficiaries, more than 88% of all persons with disabilities aged 15 to 64, from claiming DTC. Of those who did not claim, 36% said they did not know DTC existed and another 44% said they did not think they would meet the eligibility criteria (Statistics Canada, 2003).[60]

D. Transparency in provincial programmes

A feature of the current era of federal-provincial relations is the minimal flow of detailed information from the provinces to the federal government about what outputs and outcomes have been achieved with federal funds. This is due in part to the pooling of federal and provincial revenues that are redistributed by provinces to fund multiple local programmes. Once pooled, it is administratively costly and technically difficult to estimate which parts of services were purchased with federal versus provincial monies (Graefe and Levesque, 2008). Questions about "value for money" cannot be answered in any robust way, nor are policy makers asking this about provincial programmes. The lack of transparency may allow policy makers more flexibility to move monies around but it contains serious inherent risks.

The lack of accountability to the federal government (and the federal budget) is compensated by the provinces' accountability to their own constituents. Every province has dedicated some resources for monitoring programme effectiveness. However, the lack of transparency and varying data standards often prevent learning from innovative policy experiments in other provinces, one of the much valued virtues of Canadian federalism. As such, evaluating programme outcomes with the aim to monitor programme performance in a critical way or for other provinces to benchmark against them is difficult.

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59. Considerate of the extraordinary involuntary costs people with disability have to bear, the Committee saw it necessary to devise measures that can encourage their employment. Recommendations were categorised into three main themes: *i)* changes in DTC that will clarify the legislative intent and improve the administration; *ii)* employment- and education-related tax measures, including the full deduction of costs to purchase employment or education equipment; and *iii)* more medical expense tax credit to caregivers in recognition of the additional costs of care giving. Subsequently, 21 out of a total of 25 recommendations in the Committee's report were adopted.

60. It should be noted, however, that the 2001 PALS uptake counts were about 40% lower than Canada Revenue Agency counts. This was partly because many people did not complete their own tax forms, and were thus unaware of the details of what deductions they did/did not receive.

Typically, provinces contract private non-profit agencies and organisations, and heavily rely on them for service delivery. Contractual arrangements follow in most cases an output-based model where performance of service providers is compensated on a per-capita rather than a fee-for-service basis. In addition, these private non-profit organisations have a considerable role in operational policy formation. Together with the very political and sensitive nature of resource allocation in the disability community, this kind of policy setting and policy making is not ideal for securing better accountability from service providers.

If getting Canadians with reduced work capacity back to work became a high economic priority, there would be a need for access to timely and transparent performance data to monitor and drive improvement. At present, the low transparency in this area allows the poor participation outcomes for persons with disabilities to remain outside of academic and other public scrutiny.

E. Reform of service providing institutions

Income and employment policies for persons with disabilities in Canada are a patchwork of federal and provincial programmes. While public polls suggest that the vast majority of Canadians support the concept of a one-stop-shop for accessing governmental services (Service Canada, 2007), this does not exist as it does in many other OECD countries. It is up to clients with disability to find the services they want through the "maze" of programmes and agencies. Programme information is complicated, information is scanty and help is rare.[61] A simpler delivery process would make it easier for clients to find and access the services they need. The concept of a "one-stop-shop" affords clients better outcomes because they can access a variety of services through contact with just one agency. A common variation is to setup an independent agency, or designate an agency to play a lead co-ordinating role.[62] Alternatively, such agencies may act as a gate-keeper and case-manager and develop a close relationship with clients, maintaining an arm's length from ministries and service providers (Halligan, 2004; Ling, 2004).

Provinces have explored ways to integrate income supports with employment programmes to ensure a continuum of services. For example, in Québec since 2005, the Ministry of Employment and Social Solidarity (MESS) has merged the social solidarity programme, which is an assistance programme of last resort, with its employment service. A person with disability who requests last-resort assistance may, through the discussion with an MESS staff, be informed of and offered employment programmes that best suit his/her situation. Though provinces have explored ways to integrate income supports with employment programmes to ensure a continuum of services to clients, only in British Columbia have attempts been made to integrate federal *and* provincial services under a single service window – a true one-stop-shop

61 . This was concluded by the Canadian Working Group on HIV and Rehabilitation (2008) and the Canadian HIV/AIDS Legal Network (2005).

62. The concept of a single agency acting as the conduit of related services that a client may need from different ministries has been explored in a number of OECD countries, including for instance Australia and New Zealand. In Australia, Centrelink was established as a special one-stop-shop agency responsible for benefit payments and the delivery of a range of Commonwealth services, including disability assessment. In rural New Zealand, social, employment and other services are delivered through Heartlands service centres with a small number of permanent staff providing information and managing applications and other transactions. Representatives from various government agencies periodically visit the centres to provide more complex services. This reduces the operating costs for agencies and improves access for clients in rural and remote areas.

from the standpoint of clients. A Bilateral Committee on Disability Issues which includes both provincial and federal senior officials was set-up and a Personal Supports Centre launched in Victoria in 2008 to offer a single-window access to government, not-for-profit and private sector services – although services are currently limited to procuring equipment and assistive devices. A more notable experiment, however, will be a demonstration project on personalised service provision, also in British Columbia, in which both provincial and local Service Canada staff participate at several sites including a number of Government of Canada and community service offices and public locales. Being at an early stage in a pilot project, Government of Canada staff is also liaising with Provincial Government staff to understand one another's programmes and sharing information, but aiming in the long run to improve accessibility by providing one-stop-navigation for available programmes.

Given the size of Canada and the existence of a clear demarcation regarding jurisdictional controls in service delivery, developing a one-stop-shop approach for persons with disabilities is a major challenge. At a federal level, *Service Canada* was launched in 2005 with a hope that it could fill such a role.[63] However, not only is it constrained in relation to providing information about provincially-administered programmes, but it has yet to fulfil the one-stop-shop ethos with respect to the various federal programmes it was meant to be a single conduit for. Despite these limitations, Service Canada presents an infrastructure that could be used to simplify service delivery and provide a one-stop-shop that expedites the return to work of persons with reduced work capacity. Service Canada has workable albeit jurisdictionally-limited policy tools in hand to promote disability prevention, both in the short run (via EI-SB) and in the long run (via CPP-D). Fulfilling this role for all programmes available in Canada, however, would require the provinces coming to an agreed view that would allow them to direct the federal government about how Service Canada could best be reformed to achieve this end.[64]

63. Clients can access Service Canada via a personal visit to a local office, by telephone and by internet. In the years 2006-07, there were 587 points of services across Canada, and 95% of Canadians had access within 50 kilometres of where they live.

64. As of 2009, Service Canada is working with provincial governments on four pilot projects, which are still limited in scope but certainly valuable efforts in the right direction:

a) An agreement between Service Canada and the BC Ministry of Employment and Income Assistance allows clients to provide consent for one set of Medical Records to be used in adjudication of both the federal and provincial programmes. Clients are therefore provided with a streamlined and cost-effective application process.

b) The British Columbia, Alberta and the Territories (BAT) region Personalized Service Delivery for People with Disabilities Pilot Project is currently underway. The project aims to specialise delivery of programmes and services for people with disabilities through community engagement, outreach to community organisations, use of specialised adaptive equipment and training staff on awareness of needs of persons with disabilities.

c) A partnership between Service Canada and the Province of Alberta enables clients, who apply for Alberta's provincial disability programme (AISH) at a government services office, to also have their eligibility for CPP-D verified over the phone by a customer service agent at a Service Canada Centre elsewhere in the province. Clients can also provide consent for one set of Medical Records to be used in adjudication of both the federal and provincial programmes.

d) As a result of a partnership between Service Canada and the Province of Ontario, Service Canada Ontario Region and the Ontario Disability Support Program (ODSP) Toronto Region have an ongoing pilot for the bundling of Canada Pension Plan-Disability benefit and ODSP benefit information in the Service Canada Centres (Toronto East / West) and the ODSP

F. Service delivery by non-profit organisations

One of the notable characteristics of the social service delivery process in Canada is the heavy reliance on local non-profit community organisations to deliver various social and employment supports. They have expertise, experience and passion for service, they are generally organised into a few extensive networks, and they also have a strong presence in governmental policy-making procedures. Whether the source of the fund is public or private, federal or provincial, LMDA, LMADP or OF, the money eventually flows to service providers to be transformed into services for persons with disabilities.

Relying on service providers to such a degree comes with a few risks in relation to client intake, client assessment and client case management:

- If assigned authority to determine *intake* of clients, private service providers may (depending on the outcome measures for their contract) avoid persons with severe disability who have a lower chance to be employed and who are more costly and difficult to manage.
- Private service providers may make capacity *assessment* not in the best interest of the client but rather of themselves, prescribing services that are easier and cheaper for them rather than services that may be the best for the client.
- *Case management* needs to be done for the purpose of enhancing the employability of the client, thereby graduating, not continuing, services as much as possible.

In Canada, private service providers play a mixture of these roles. In particular, they function as case managers, due in part to the relatively small public case management function in force. Especially for those clients who are not EI-insured, private providers also seem to possess great influence in practice on both client intake and disability assessment.[65]

A challenge to be solved in a provider-dominant system like the Canadian one is how to secure adequate accountability of providers. Governments must devise elaborate but nonetheless manageable funding streams to enhance the accountability and thereby better accomplish the policy objective, in the face of strong service providers who are not always happy with the fortified, complicated requirements and processes for receiving government monies.

To purchase more accountable, efficient and effective services, governments have tried to shift funding schemes from an output-orientation to focus more on "outcomes" of the activities of service providers. The distinction between "output" and "outcome" is that outputs are immediate actions or results of spending activities, while outcomes are the ultimate impacts of the activities which relate to the underlying policy.[66] Considering the ultimate aim of all public

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Toronto Regional Offices. This bundling of services is an opportunity to provide a holistic approach to the income support information that is provided to people with disabilities in the Service Canada Centres and the Ontario Disability Support Program Income Support offices.

65. During a mission interview, a provincial government officer replied to a question, saying that private organisations are responsible for disability assessment with virtually no instructions or guidelines because "they are the experts".

66. OECD (2009b) lists "children taught" and "driving licenses issued" as examples of outputs, and "what the children have learned" and "whether the roads are safer and more orderly because of the licensing of driving licenses" as examples of outcomes. In the field under study, "people using a programme" is an output and "post-programme employment rates" the most common outcome measure. However, even the latter is not a measure of the success of the programme; in order to know the latter, a counterfactual is required: how many of those getting a service

policies or programmes, *i.e.* to enhance the welfare of the clients mainly through employment, evaluating performance via outcomes and determining the amount of funding on the basis of such outcome evaluation will be generally more desirable. Outcome-evaluation is more sophisticated but also more difficult than measuring outputs, also because outcomes often cannot be directly attributed to the activities of service providers since other factors (outside the providers' control) also play a role.

Efforts are made in Canada, too, to improve the accountability of the funding system, by adopting an increasingly project-based approach with increased reporting requirements (Scott, 2003). However, post-programme employment success and stability are usually not considered in funding rules which are still predominantly based on client-intake and the number of hours of service provided. One step in the right direction is the fee-for-service approach recently introduced in British Columbia (Box 2.1).

Box 2.1. **British Columbia's fee-for-service funding model**

One notable exception to the traditional output-based funding model is the fee-for-service funding adopted by the British Columbia government in its Employment Program for Persons with disabilities (EPPD). Contracts between the government and the service providers are performance-based, relying on the achievement of "milestones" both as an indication of completion and service-provider payments. Milestones are set following a "best practices model", including intake, planning, training, placement, and follow-up, each of which are again divided into a few steps. Each milestone is priced with a set of fees, and once the invoice is electronically transmitted, providers are paid on a monthly basis.

A 2005 review of the EPPD milestone approach came to a positive conclusion. Few providers had difficulty with the milestone continuum as such although there were problems occasionally with the large number of milestones, an inaccurate definition of some milestones and, more generally, insufficient amounts of payment (Heino, 2005). However, this review did not include a rigorous evaluation with a proper counterfactual.

From a service provider perspective, there are a number of challenges arising from the fragmentation of the Canadian funding system. First, there is an ongoing shift to project-funding arrangements which are of a short-term nature and make it harder for providers to plan into the medium and longer-term. Since providers' projects are typically funded from various sources, the abrupt termination of *one* source may affect the sustainability of the *whole* project.[67] Moreover, complex funding schemes and increased reporting requirements drive up the administrative costs of the provider, expenses for which additional funding is rarely provided (Scott, 2003).

It may be difficult to introduce an outcome-based funding approach given the current complex multi-source funding of projects will result in unacceptably high administrative burden on providers. Efforts to enhance accountability, or "value for money", will nevertheless have to be made and governments will need to simplify funding procedures, using information technology where available and allowing flexible funding that can be spread out for multiple years. In addition,

would have got a job in the absence of the programme. Producing such information requires rigorous programme evaluation.

67. This problem gets worse because funders are increasingly requiring service providers to make joint submission with project partners and to demonstrate they have secured funding from several sources.

governments should continue to communicate with service providers to explain the government's stance but also respond to problems caused by government processes.[68]

68. The "Accord between the Government of Canada and the Voluntary Sector" the federal government signed in 2001 allows service providers substantial self-control, in exchange for promises by service providers to ensure sound financial management and sufficient monitoring, internal management, and client as well as funder accountability.

CHAPTER 3. SUMMARY AND RECOMMENDATIONS

Canada is facing similar sickness and disability policy challenges to many other OECD countries: low rates of employment and high rates of unemployment of people with health problems or disability; a much higher poverty risk for this population group; and growing dependence on disability benefits (though the latter varies by province). Some global trends are, however, less pronounced in Canada, such as the gradual shift from unemployment to disability and the rising incidence of mental illness as a basis for disability benefit claims. Other problems are more pronounced than on average across the OECD, in particular the large proportion of persons with disabilities facing poverty – an outcome in part related to the lower generosity and limited accessibility of its benefit system.

The 15-year period of steady economic growth and falling unemployment that ended around mid-2008, did help some Canadians with disability into employment but has not changed the overall situation much. This is critical in view of the current economic downturn which has temporarily shifted the focus of governments to rapidly rising unemployment, approaching two-digit levels in many OECD countries including Canada. While this may not seem the easiest time for enhancing policies aimed at bringing more persons with disabilities into or closer to the labour market, a recovery will come and policy makers should not lose sight of the need for additional labour supply in the future in order to cope with the challenges of an ageing society. First, it is important that countries do not use disability schemes as a means of supporting persons affected by the downturn. All available evidence indicates that doing so will only increase the pool of long-term beneficiaries who never return to work even when conditions improve. Secondly, those groups losing their jobs now and those which were underrepresented in the labour market already prior to the crisis need equal attention. In this regard, every effort has to be made to align short-term policy responses with the long-term structural reform agenda.

Much of Canada's sickness and disability policy reform efforts so far have been piecemeal rather than co-ordinated, and had seemingly limited overall impact on a system that remains complex and fragmented. It is well documented that issues arising from overlapping federal and provincial responsibilities have been a cause of this and for dissipating accountability for poor outcomes. This specific Canadian consideration is particularly important because reform efforts that do not take it into account directly are unlikely to be successful. Canada will, therefore, have to seek disability policy solutions that fit its unique historical background and political context.

Demarcation disputes between federal and provincial authorities are frequently touted as the reason for the fragmented state of Canada's system of employment supports and benefits. However, the problem is much wider insofar as federal and provincial governments, private and community service providers, advocacy groups and a sizeable private disability insurance sector all play important roles, but rarely sit down together to discuss how they might work in unison. It is not surprising that Canada currently lacks a coherent public-private policy mix

because there are relatively few fora for these various players to communicate on a periodic ongoing basis. For the same reason and because of the paucity of publicly available programme evaluation and outcome data, there is also no mechanism for learning from good and bad practices in the different provinces.

At the same time, the Canadian sickness and disability policy system because of its very specifics and strengths has a lot of potential for structural reform. For instance, while previous federal action to secure fiscal soundness in the benefit system by tightening eligibility criteria explains some of the coverage issues with regard to federal insurance programmes (CPP-D and EI-SB), this could be an asset in the current crisis. The problems arising from restricted benefit coverage and low benefit levels have to be solved but this history may help in embedding a more employment-oriented disability policy framework. Similarly, the significant and growing role of private disability insurance and non-profit service providers bears significant potential which, however, may not be fully realised without adequate monitoring and a client-orientation. For an optimal public-private policy mix all of these players must be included if Canada is to make the most of its strengths in its quest for reform.

The thrust of Canadian sickness and disability policy needs to progress in a concerted way past its current focus on welfare protection if it wants to see persons with unused work capacity join the labour market in larger numbers. This would seem the key challenge for Canada if it is to move beyond the status quo and take on the other major task for policy makers at all levels, which is to overcome federal/provincial demarcation issues that currently impede necessary structural reform. In this regard, Canada will need to address the following policy challenges in the coming years if it is to improve social and labour market outcomes for people with reduced work capacity.

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

3.1. Make the system of federation work for persons with disabilities

Provincial governments bear direct or devolved responsibility for much of employment policy making, development of active labour market programmes, oversight of workers' compensation schemes and especially last-resort social assistance benefits (which are playing an increasingly important role in social protection of persons with disabilities as eligibility for federal schemes has been tightened). While this reflects an ongoing trend in recent decades to devolve responsibilities, due to specific responsibilities embedded in core legislation the federal government still has a substantive operational role in the Canada Pension Plan Disability and the Employment Insurance Sickness Benefit programmes, and some residual employment schemes. The problems arising from two levels of government dispensing benefits and supports for the same end-purpose are manifold – particularly when there are relatively few mechanisms for ensuring a co-ordinated approach to administering policies so that the right services and benefits are provided to the right people at the right time.

A. Clarify the roles of the different government layers

In recent decades, the federal government has progressively devolved more and more policy making and administrative responsibilities to provinces and territories. In this vein, there would appear to be considerable benefit in exploring ways of devolving the *client-side administration* of the federal benefit schemes (EI and CPP-D) to provincial authorities. Doing so would position a single case-worker in a province to recommend and administer an optimised stack of federal and provincial measures tailored to an individual client's situation. This would remove much of the confusion that persons with disabilities currently experience and position provinces to be solely accountable for the mix and quality of services, and for the outcomes achieved for persons with disabilities.

Given the long-standing involvement of the federal government as a front-line provider of disability benefits and employment services, such a change would require close consultation with provinces and watertight federal/provincial agreements that ensured EI and CPP-D schemes were administered strictly to federal standards.

Recommendations

- The federal government could explore – possibly through one or more small-scale pilot projects – ways of allowing provincial and territorial authorities to administer EI and CPP-D schemes on its behalf.

- While front-line administration of EI and CPP-D could be devolved to provincial authorities, the ultimate decision on a benefit grant should remain with the respective federal Service Canada branch.

- Eventually, all employment policy making and programming and all service and benefit delivery could be undertaken at the provincial level. Federal oversight of the administration of federally-funded benefits and employment supports is needed, building on standards in terms of client intake, assessment and casework. In addition, conditionality coming along with the federal resources should be appropriately enforced.

B. Promote good-practice learning across provinces

A much emphasised advantage of the Canadian model of federation is the potential for innovative developments in policy and practice in multiple autonomous jurisdictions to be transferred across provincial boundaries for mutual benefit. However, this does not happen to any great extent because detailed programme evaluation data, particularly on employment outcomes, are not being made available in either a timely or a comparable manner.

Given that accountability of provinces is ultimately to their local constituents, it would seem that scholars and advocacy organisations should be empowered to pursue this information and benchmark performance on behalf of their communities. These entities are not currently resourced to perform this function systematically and on an ongoing basis, especially as this would include working as a co-ordinated national network to share good-practice innovations across provincial lines.

The accumulation of good and bad practice in a single repository that was freely accessible to all provinces would over time, as an evidence base for policy makers, constitute a powerful asset for Canada. In collecting output and outcome information for such a much improved evidence base, it would be important that provinces follow jointly-agreed standards in data collection and outcome measurement, based on agreed and comparable indicators and using the same or easily synchronised information technology.

Recommendations

- A good evidence base is crucial for better policy making. Provinces should monitor the outcomes of their programmes and policies continuously and on the basis of jointly-agreed standards and relevant and comparable policy indicators, and publicise these outcomes.

- Provincial and federal governments should ensure sufficient resources for research and programme evaluation to establish an independent repository of provincial outcome data and good practices that can be accessed by all provinces.

- Provincial governments should facilitate cross-provincial learning by establishing regular forums (or using existing ones) for discussion of programme outcomes and good and bad practices. These forums should include policy-making representatives as well as scholars and advocacy organisations, but also regularly private insurers and service providers.

3.2. Move towards a client-oriented framework

One of the weaknesses in the complex Canadian system for persons with disabilities is the multitude of agencies they have to deal with at different stages, largely because the various benefits and supports for them are administered in federal and provincial silos. From the perspective of the client, it is often unclear which institution they should contact and depending on where they choose to start, the advice about benefits and supports that is available may differ.[69] A person may be entitled to more than one stack of combined benefits or employment supports, but because provincial and federal agencies do not work in a joined-up way when dealing with common clients, it is up to the client to try to work out what is available and how benefits and supports should best be combined, including at different stages. There is no road-map or an obligation for clients to follow a given sequence or process to access the available help and support. This burden on the client grows when they find that the particular institutional caseworker they are dealing with has to start from scratch in obtaining necessary client history information, because information collected previously by other authorities is not accessible due to the lack of interagency co-operation. All of this would be a tall order for any client, but a near impossibility for those with some forms of disability. The model in place in Canada today is clearly *system* rather than *client*-focused.

69. Indications from the British Columbia experiments are that federal and provincial frontline workers often do not have complete or accurate knowledge about programmes and services available at the “other” level of government.

A. Promote one-stop-shop service delivery via Service Canada or provincial counterparts

Finding out what services and supports are available at what stage (of deteriorating health) is not straightforward with the fragmented system in place today. Addressing this issue has underpinned a trend across OECD countries toward bundling knowledge and providing information and support through "one-stop-shop"-type services. Some countries, *e.g.* the United Kingdom, have achieved this by merging the public employment service and the benefit authority into a single agency, while others are also trying to bring together national and municipal authorities. Service Canada is intended to work in this way for a range of federal programmes, but its impact is limited because it does not support provincial programmes in the regions that it operates in – though this may change very gradually as a result of current experiments in a number of provinces (including British Columbia, Manitoba and Québec) to establish more joined-up delivery.

The complexity of the Canadian benefit system could be reduced by having a single entity deliver both federal and provincial benefits. Clients would have a much better chance of accessing advice on the optimum stack of benefits and employment support services. Service Canada, a federal government initiative, could perform this function however such a role could only be achieved in consultation with the provincial and territorial governments. Alternately, provincial/territorial governments could ask the federal government to direct the regional funds for Service Canada to the provinces/territories to set-up a local one-stop-shop service.

Recommendations

- Explore ways to deliver benefits and employment supports using a true one-stop-shop model with access to all provincial and federal programmes. For example, by:
  - Making the provinces the first gateway into the benefit and employment support system, with referral to federal authorities when needed; or
  - Negotiating for Service Canada powers to function as a gateway into the entire benefit and employment support system, with referral to provincial authorities when needed; or
  - Offering a joint provincial/federal one-stop-shop information service in shared premises (either in the form of a shared operation or a parallel operation).
- Share common client information to ease client burden, particularly in making new or amended applications for assistance. Obtaining permission from clients to share case record information would ease client burden and improve administrative efficiency.[70]
  - Employment Insurance is a "natural" connecting point between federal and provincial jurisdictions, as both bear EI responsibility (federal authorities for EI-SB and provincial authorities for employment supports) and should therefore have common clients, even though it is true that many persons with disabilities are ineligible for EI.

70. It should be noted that privacy considerations and challenges of sharing personal information can be potentially very sensitive and should be properly addressed.

– Analyse the potential and the limits of the demonstration pilot in British Columbia on *Personalised Service Delivery* (currently with three pilot offices), particularly those aspects providing clients with information about federal *and* provincial programmes.

B. Implement systematic case management

Having a functional one-stop-shop service in place would help overcome the lack of information sharing which limits institutions in their capacity to provide the right service to the client at the right time. A systematic client-oriented case-management approach, which is recently implemented in an increasing number of OECD countries, further improves service efficiency. This would also help clients understand the process that has to be followed to access the help they need in a systematic way. Ideally, this would involve a single case manager who follows the client throughout the procedure until a more permanent outcome is reached.

Recommendations

- Develop case-management practices that facilitate the ability of clients to navigate the complex system of supports and benefits, with single case managers following a client as long as possible and handing over to a new case manager where a break is unavoidable.

- As part of structural reforms towards one-stop-shop service delivery, implement a systematic and transparent referral of clients to the appropriate authority, including sharing and transfer of relevant information (*e.g.* on work capacity and work/benefit careers).

3.3. Improve programme coverage and benefit take-up

The complexity and poor integration of benefit and employment support systems leads to a situation where people who would be entitled to and could benefit from supports are not getting them, or not the most appropriate ones. Partly this is because the eligibility for employment support is linked to the eligibility for insurance benefits; hence, people with the same type of problem might be entitled to very different types of support. The low take-up of a number of programmes and the fairly high share of persons with disabilities not working nor receiving any public benefit appears to be a significant factor in why persons with disabilities are at heightened risk of poverty. Lobby groups and scholars have repeatedly proposed both system adjustments and comprehensive overhauls of the current setup, including for instance the introduction of a new benefit for short-term disability (see *e.g.* Prince, 2008), but no action has so far been taken in this regard.

A. Better align benefits to tackle coverage issues and promote benefit stacking

Because many of the major benefits are set below typical wage replacement rates, they are alone not sufficient in many cases for jobless people with reduced work capacity to stay out of poverty. Beneficiaries would often have to try to access and combine various benefits to secure a basic income. While around one-quarter of all beneficiaries receive two benefits (and some of them even three or more), the large majority of them depend on just one payment.

At the same time, strict eligibility criteria and asset tests for the various benefits imply that many non-employed people do not receive any payment. Furthermore, benefits available to bridge periods of short-term work capacity are insufficient – leading to many people being without payments at least during certain periods. In addition, take-up of tax benefits – which are more important in Canada in terms of their contribution to total income than in other OECD countries – is also low.

Recommendations

- Close the gaps between benefits so that people are not without payment for too long, *i.e.* ensure a continuous base of income during labour market and disability transitions.

- Explore possibilities to extend mandatory Employment Insurance coverage to a larger share of the workforce (*e.g.* including the self-employed).[71] Consider extending Employment Insurance-Sickness Benefit payment duration, possibly with a decreasing benefit level over time and with due consideration to the potential effects on other system components, such as employer-sponsored insurance plans.

- Seek ways to better align federal and provincial benefits, as is done in Québec where the single-payer rule ensures coverage but at the same time avoids unnecessary benefit-stacking.

- Raise the take-up of Disability Tax Credit by making it refundable and, thus, available to those not paying taxes and consider raising its level (*e.g.* by systematic provincial top-ups).

- To address high poverty levels, make sure that persons with disabilities, especially those with severe disability, can access all payments they are entitled to.

- If such increased focus on benefit stacking is not effective in raising incomes of persons with disabilities sufficiently, consider to raise the level of individual payments, especially CPP-D.

B. Increase the take-up of employment and labour market programmes

The relatively high proportion of the workforce not covered by Employment Insurance has not only important consequences for social protection but also sometimes on the types of employment supports people are entitled to – irrespective of their needs and work-capacity level. Moreover, overall spending on active labour market programmes (ALMP) is low in international comparison, as is the take-up of ALMPs. To rectify this, in some cases more money will need to be invested into active rather than passive schemes. Equally important is to simplify structures, raise programme transparency and make it easier to access services. The ultimate goal should be to assist all those into work who need help and can be helped, and to do so with the best-suited measures available.

71. As of January 31, 2010 the self-employed are able to opt into the EI programme.

Recommendations

- Grant access to employment services to all people with reduced work capacity in need of support, irrespective of whether or not they receive a benefit (as is already done in British Columbia) and regardless of their employment status.

- Make sure sufficient and sufficiently flexible labour market programme funding is being made available for people with health problems in response to the shift in the structure of clients and social assistance caseloads, from the no-barriers to the people-with-disability group.

- Reach out more proactively to prospective clients who could benefit from employment supports and inform clients about the potential of available programmes.

- Set ambitious employment targets for persons with disabilities, as in British Columbia and Québec, and monitor progress accordingly. These targets, if widely publicised, can be a valuable element of a disability strategy aiming at a deeper cultural shift from providing welfare to providing employment support.

C. Move towards a mutual-responsibility framework

In spite of various notable federal/provincial efforts to encourage beneficiaries to (re)enter the labour market, the Canadian system still generally assesses potential benefit recipients in terms of their incapacity. As such, these people are also not expected to try to find work in a reduced capacity or improve their employability as a condition of benefit entitlement. Moreover, because detachment from work leads to deterioration of work-readiness, confidence and work skills, beneficiaries often become increasingly fearful of trying to access paid work even though their income is barely enough to make ends meet.

A client orientation goes a long way to ensuring the right service is identified and offered at the right moment. In exchange for improved service and client-orientation, more can and should be expected from clients and claimants. While client motivation is a critical factor for the success of an employment measure, analysis from other countries has demonstrated that voluntary participation in programmes will automatically lead to sub-optimal and low take-up of employment supports. Introducing mandatory elements into the process, as is increasingly done across the OECD, is effective. Given the concerns of long-term beneficiaries about having to return to paid work even in a limited way, introducing obligations should be undertaken progressively and together with strong supports.

Recommendations

- A first step towards establishing participation requirements could be a *mandatory* interview process, *e.g.* following the example of UK's Pathways-to-Work process which requires clients to take part in a series of six interviews at set dates. It would be important in these interviews to talk about work as a medium to long-run objective; this can help reset the mindset of existing beneficiaries and caseworkers as well.

- Broaden assessment to look at what work capacity clients still have and provide supports to assist those not qualifying for benefits in finding appropriately matching work, including part-time and self-employed work. Consider adapting a

multidimensional assessment framework as used in other OECD countries, *e.g.* Australia and the Netherlands.

- Consider introducing obligations for new disability beneficiaries to participate in activities that may enhance their employability and to seek work as a condition of benefit entitlement.

- In line with this, the persons-with-disability group on social assistance caseloads should be treated more similar to other groups, with corresponding participation expectations. In certain circumstances, even job-search requirements corresponding to the clients work capacity may be adequate while making sure they would not have to accept undue jobs.

3.4. Promote early intervention and access to supports

A major shortcoming of the Canadian system is the near absence of any form of systematic early identification of health problems – of either those still employed or those already unemployed – in any of the public (benefit) programmes. This is unfortunate and a big waste of potential given that, in Canada as much as in any other country, the likelihood of permanent labour market exit rises with the duration of being out of work. Many OECD countries have made very significant efforts to address problems in the early phases of sickness so as to prevent mild symptoms from developing into more severe and permanent ones. Some countries, including Denmark, did so by putting in place more rigorous, systematic and continuous systems to monitor sickness absence. Other countries, including Switzerland, make sure that employment support can kick in prior to assessing work capacity more comprehensively and prior to granting a long-term disability benefit.

A. Strengthen the early identification of problems in federal insurance programmes

For many workers, EI-SB is the first scheme they access when developing health problems. The absence of any systematic sickness monitoring and management in this scheme is a missed opportunity; when EI-SB payments end, a worker will often have been out of work for as long as 17 weeks. However, work-capacity-reducing health problems of those unable to return to work will easily remain unnoticed for a much longer period and employment supports not considered until too late, whether people turn to regular EI payments after the exhaustion of EI-SB or apply for a CPP-D/QPP-D benefit.

Recommendations

- Introduce systematic absence monitoring into the EI-SB programme, including a requirement for repeated sickness certificates and systematic follow-up of people after a certain length of absence or in case of repeated absences.

- Better link the EI-SB to the CPP-D/QPP-D programme, including through automatic transfer of information of the EI-SB absence monitoring procedure.

- Consider the possibility to involve CPP-D nurses of Service Canada, the institution which delivers both the EI-SB and the CPP-D programme, for these purposes.

- Develop a vocational rehabilitation assessment and delivery approach at the CPP-D/QPP-D claim application stage to ensure that any remaining work capacity can be utilised.

- Bring unemployed people who are sick or have health problems into adequate medical and, if needed, vocational rehabilitation services quickly.

- Offer vocational rehabilitation services to denied CPP-D/QPP-D claimants; these services should be funded by shared federal/provincial resources.

B. Make sure that provincial employment support reaches people earlier

Many workers in Canada are not entitled to insurance benefits but instead rely on the support offered by the provinces (social assistance payments and services not linked to EI). For these people, no system is in place which would allow provincial authorities to identify those at risk of becoming longer-term claimants. In most provinces, the situation is similar to that in British Columbia, where a considerable share of the clients receiving social assistance with a disability designation have previously received regular social assistance, and equally many of those belonging to the regular expected-to-work group would, over time, shift to the persons-with-disability group which also receives higher payments. These mechanisms should be better understood and adequate measures taken in response. Similarly, young people at risk of becoming long-term benefit recipients should be a key target group; better education of those people at risk has not improved their employment enough.

Recommendations

- Shift the focus of assessment for provincial benefit entitlement and employment support from medical incapacity to what a person can actually do despite their condition.

- Devise strategies of early identification of health problems and improvement of coping and labour market skills of potential long-term social assistance clients, including those belonging in the expected-to-work group.

- Provide better and earlier bridges from education into work for youth at risk, with internships and apprenticeships to improve soft and social skills and to provide work experience.

3.5. Strengthen the broader system to work more efficiently

Federal and provincial authorities play a central role but there are other significant actors in the system that supports persons with disabilities. Employers can (and do in other OECD countries) play a significant role in preventing labour market detachment. Private insurance providers are playing a significant and growing role in coverage, in Canada even more than in most other OECD countries, but not much is understood about this in public policy. Non-government social service organisations deliver most of the actual support services and the way they are engaged makes a difference to the outcomes that may be achieved.

A. Strengthen the key role of employers and private disability benefit plans

In the early phases of developing a health problem, the employer can and should play a key role. This is not the case in Canada, unless it is a work-related sickness or injury covered by provincial workers' compensation, which has strong employer responsibilities and incentives. In regular sickness absence, for example, employers have no prescribed role. This situation needs to be improved.

Private disability insurance contains promising disability prevention features. For instance, through the corresponding insurance premium structure employers offering private long-term disability benefits (LTD) should have intrinsic incentives to prevent sickness and disability. However, very little is known about these schemes even though more than one-quarter of the entire disability benefit bill in Canada is attributable to LTD plans. In view of the importance of these plans, more needs to be done to understand their contribution and to align private and public schemes.

Recommendations

- Employers need to play a role in any new process of systematic EI-SB absence monitoring, as is the case in many other OECD countries. In addition, where a valid employment contract exists at the time of a CPP-D/QPP-D claim, any new vocational rehabilitation assessment approach prior to granting a long-term benefit also needs to involve employers.

- Explore financial incentives for employers in preventing inappropriately-long sickness absences that lead to more permanent detachment from work. For instance, consider experience-rated funding of EI-SB and maybe also – a part of – CPP-D/QPP-D contributions (mechanisms in private disability benefit plans could serve as a model); this would be particularly important for employers without private long-term disability plans.

- Promote higher LTD coverage (coverage is now constant at 50-55% for a number of years) and investigate the likely impact of making LTD plans mandatory for all workers.

- Improve the quality of LTD plans in terms of their potential to prevent long-term labour market exit, also to avoid the frequent shift of LTD recipients to social assistance after the typical 24-month LTD payment period. Consider better regulation of LTD plans to achieve this, maybe including regulations disallowing the exclusion of pre-declared conditions.

- Connect employers with insurers so that LTD plans can include effective disability management similar to what is available in workers' compensation schemes (the latter usually have early follow-up after around two weeks, for instance).

B. Continue the move from output to outcome-based funding of services

For a long time and still in many cases, disability employment services in Canada were funded via block grants to established non-profit providers who have considerable autonomy in the way they use public funds and significant influence on policy development. Recently, some provinces of Canada, including especially British Columbia, have started to move cautiously

into a new direction, with providers increasingly being funded in line with output and in some cases (employment) outcomes. Experiences from other countries, such as Australia, show that outcome-based funding tends to lead to similar results but with more efficiency. Canada could also go much further into this direction, while at the same time addressing the problems arising for the providers from the multiplicity of funders and reporting requirements.

Recommendations

- Continue the move from output to fee-for-service and outcome-based funding of services.

- Where a fee-for-service approach has been established already, strengthen the emphasis on long-term employment outcomes; encourage in-the-job support for those still employed (to improve prevention and job retention); and develop on-the-job and follow-up support so to help those with ongoing problems (*e.g.* people with episodic health problems).

- Rigorously evaluate the impact of the new funding models on social and employment outcomes.

- Give providers sufficient funding flexibility and measure *total* outcomes for each provider, not outcomes for each funding source separately. Disentangling the various different budgets and outcomes is neither possible nor useful.

- Experiment with tendering employment services for for-profit organisations and expand this if employment outcomes are improved as a consequence.

ANNEX

MAJOR EMPLOYMENT AND SOCIAL SECURITY RELATED FEDERAL POLICY REFORMS FOR PERSONS WITH DISABILITIES (SINCE 1980)

Employment-related reforms	Year	Social security-related reforms
Canadian Charter of Rights and Freedoms is signed by the federal government and all provinces except Quebec. Guarantees equality before the law without discrimination on the basis of various characteristics. Affirmative action or employment equity programmes are permitted.	1982	
Disability is added as a separate section to the equal rights charter.	1985	
Employment Equity Act requires federally-regulated employers to develop employment equity programs to integrate disadvantaged underrepresented persons.	1986	
	1987	CPP is modified by a federal-provincial agreement to provide for greater flexibility in the retirement age, improve the rights of surviving spouses, and enhance disability benefits to bring them in line with the QPP.
National Strategy for the Integration of Persons with Disabilities established to fund projects to improve access to housing, transportation, education and communications.	1991	Disability Tax Credit increased from CAD 575 to CAD 700 per year. Recipients of CPP/QPP disability benefits are allowed to spread the tax over the years of disability rather than include the full amount in the year received; benefits for children of CPP contributors who are disabled or deceased raised from CAD 35 to CAD 148 monthly.
Canadian *Human Rights Act* is amended to add "reasonable accommodation" and "undue hardship" clauses.	1992	
Employment Equity Act is extended to new groups; Canadian Human Rights Commission made responsible for monitoring and for ensuring compliance.	1995	Federal-Provincial-Territorial (FPT) Council on Social Policy Renewal is established to guide pan-Canadian approach to social policy reform.
Employment Insurance (EI) Act replaces *Unemployment Insurance Act* and the *National Training Act.* It aims to strengthen active measures to foster employment, and authorises federal government to enter into	1996	Under new EI provisions, every hour of work, including part-time work, counts towards determining eligibility for benefits. Reform of federal-provincial fiscal arrangements changes the way that

agreements (Labour Market Development Agreements) with each province/territory on the design and delivery of active labour market programmes. The first agreements are signed with Alberta and New Brunswick, all other provinces and territories subsequently following, except Ontario.		provincial social assistance and services for persons with disabilities are funded. Introduction of Canada Health and Social Transfer (CHST) reduces the amount of cash transfer to provincial governments regarding health, post-secondary education and social programmes, and reduces ability of the federal government to direct the level or nature of such programmes that have existed in the previous funding regime (the Canada Assistance Plan). It allows for greater variation in provincial social assistance and social services programming.
The Federal *Opportunities Fund for Persons with Disabilities* (OF) is introduced to provide access to employment programmes for persons not eligible for EI benefits. Joint federal/provincial Multilateral Framework for Employability Assistance for Peoples with Disabilities (EAPD) is agreed as successor to the Vocational Rehabilitation for Disabled Persons (VRDP) programme (introduced in 1962 and to be phased out in 2001). Under EAPD, federal funding is no longer available for sheltered employment.	1997	
The federal, provincial (except Québec) and territorial governments agree on common framework, as set out in "In Unison: A Canadian Approach to Disability Issues", to achieve "sustained progress towards full citizenship for people with disabilities".	1998	CPP contribution rates are raised in steps over the next six years from 7 to 9.9 % of contributory earnings. Contribution requirements for CPP-D get stricter (four in last six years, rather than two in last three years or five in last ten years).
The federal government releases "Future Directions to Address Issues for the Government of Canada: Working Together for Full Citizenship", which outlines its approach, in partnership with the provinces and territories and the disability community, to ensure access and inclusion across a broad range of areas – from government programs and services, to employment, transportation, information and technology	1999	
	2000	Employment Insurance Sickness Benefit contribution requirement is reduced from 700 to 600 insured hours.
The CPP-D "allowable earnings" policy is approved to encourage beneficiaries to work and earn (for example CAD 4,400 before taxes in 2008) before beneficiaries need to contact the federal government	2001	

(Service Canada after 2005). This is not a point at which benefits are stopped; rather it is an opportunity to offer support to help them continue to work if they are able to.		
The ministers responsible for Social Services approved the Multilateral Framework for Labour Market Agreements for Persons with Disabilities. It reaffirms the commitment of governments to work towards ensuring that persons with disabilities can participate successfully in the labour market.	2003	The Child Disability Benefit is introduced as a supplement to the Canada Child Tax Benefit.
	2004	The Attendant Care Deduction is replaced by the broader Disability Supports Deduction, which recognises broader range of disability supports expenses incurred in going to work, going to school, or doing research. In addition, under the new scheme a filer may claim the expenses even if s/he does not qualify for the disability tax credit.
Service Canada is created to improve the delivery of government programmes and services by offering a single-window access that is faster and easier. The Automatic Reinstatement of CPP-D benefits provision is introduced, which is a financial safety net for CPP-D recipients who return to regular employment but cannot continue working because their disability returns within a two-year timeframe from the date benefits were stopped.	2005	
The federal budget announces new annual investments of CAD 500 million over six years, for new Labour Market Agreements (LMAs) to be developed with provinces and territories. These new agreements will expand access to training opportunities and labour market programming to people who do not currently qualify for training under the Employment Insurance programme, including under-represented groups such as persons with disabilities.	2007	The Working Income Tax Benefit for Persons with Disabilities and the Registered Disability Savings Plan are introduced (the latter became available to Canadians in December 2008).
	2008	The CPPD contributory eligibility for disability is broadened to allow more long-term contributors to apply; applicants with 25 or more years of contributions may meet the requirement if they have contributed in three (instead of four) of the last six years.

ACRONYMS

ALMP	Active Labour Market Policy
BC	British Columbia
CAD	Canadian dollar
CLHIA	Canadian Life and Health Insurance Association
CPP	Canada Pension Plan
CPP-D	Canada Pension Plan Disability Benefit
DTC	Disability Tax Credit
EAPD	Employability Assistance for People with Disabilities
EBSM	Employment Benefits and Support Measures
ECHP	European Community Household Panel
EI	Employment Insurance
EI-SB	Employment Insurance Sickness Benefits
EPPD	Employment Program for Persons with Disabilities
EU-SILC	European Survey of Income and Living Conditions
FRS	Family Resource Survey
HRSDC	Human Resources and Skills Development Canada
LFS	Labour Force Survey
LMA	Labour Market Agreement
LMAPD	Labour Market Agreement for People with Disabilities
LMDA	Labour Market Development Agreement
LMPA	Labour Market Partnership Agreement
LTD	Private long-term disability insurance
MESS	Ministry of Employment and Social Solidarity
NGO	Non-Governmental Organisation
OAS	Old Age Security
OF	Opportunities Fund for Persons with Disabilities
PALS	Participation and Activity Limitation Survey
PES	Public Employment Service
PRP	Premium Reduction Program
QPP	Quebec Pension Plan
QPP-D	Quebec Pension Plan Disability Benefit
RDSP	Registered Disability Savings Plan
SDAC	Survey of Disability, Aging and Carers

SFI	Sector Facility Indexing
SHS	Swiss Health Survey
SIPP	Survey of Income and Program Participation
SLID	Survey of Labour and Income Dynamics
STD	Short-term disability plans
VRDP	Vocational Rehabilitation of Disabled Persons
WITB	Working Income Tax Benefit

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Sickness, Disability and Work: Breaking the Barriers

CANADA: OPPORTUNITIES FOR COLLABORATION

How is it possible for average health status of the population to improve while many workers continue to leave the labour market permanently due to health problems or disability, forced to rely on welfare to survive? At the same time, many working-age adults with reduced work capacity are denied the opportunity to work. This social and economic tragedy is common to virtually all OECD countries, including Canada. It is a paradox that warrants explaining as well as innovative action.

This single-country report in the OECD series *Sickness, Disability and Work* explores some of the reasons behind this phenomenon in Canada and the potential of its unique policy setup, involving many public and private players as well as different levels of government, to lower inactivity and increase participation. The report includes a range of policy recommendations to address evident and foreseeable gaps.

Canada shares many of the problems found in other OECD countries, including low rates of employment, high rates of unemployment and a high poverty risk for people with disability. However, despite an increasing trend, still fewer people than in most other OECD countries are receiving a long-term sickness or disability benefit. This can help in the years to come in the ongoing efforts of the federal and provincial governments to put in place a far more employment-oriented disability policy system.

This report concludes that further change is needed especially in regard to better coordination of federal and provincial programmes, better accessibility of services and supports building on a one-stop-shop approach and a mutual-responsibility framework, and systematic early identification and intervention including a stronger role of employers to prevent labour market detachment.

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