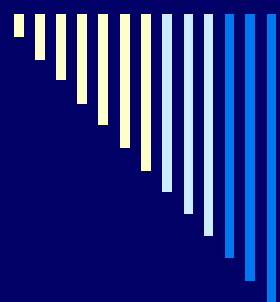


# Disability Income Policy in Canada: Trends and Reform Ideas

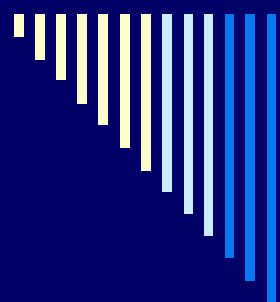
**Michael J. Prince**  
**Income and Employment Sector Forum**  
**Toronto**  
**November 2, 2007**

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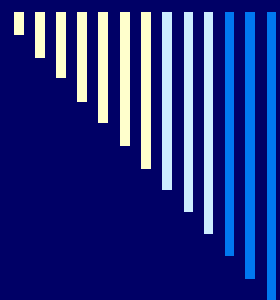
# Purposes

- To take stock of what has been happening in income policy (transfers and tax measures) at both orders of government in Canada as related to persons with disabilities
- To identify issues and ideas about income supports and income reform



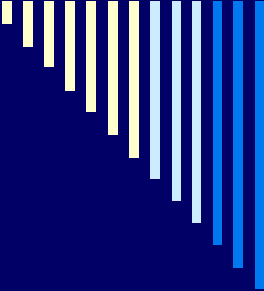
# Presentation outline

- Recent developments in federal income security initiatives
- Canada Social Transfer
- Provincial/Territorial social assistance and persons with disabilities
- Some comments on this policy landscape
- Income reform ideas and action plans
- Conclusions



## Federal disability-related income programs as of 2002

- Attendant Care Deduction
- Canada Study Grant
- CPP Disability Benefits
- Caregiver Credit
- Child Tax Benefit
- Disability Tax Credit
- EI Sickness Benefit
- GST Credit
- Infirm Dependant Credit
- Medical Expense Tax Credit
- Refundable Medical Expense Supplement
- Veterans Pensions and War Allowances



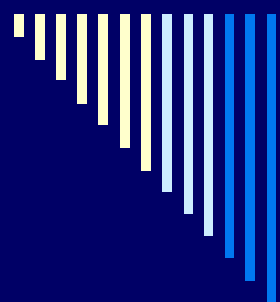
## Additional federal disability-related income programs as of 2007

- ❑ Canada Access Grants for college and university students
- ❑ Child Disability Benefit
- ❑ Children's Fitness Tax Credit
- ❑ Child Tax Credit
- ❑ Disability Supports Deduction (replaces Attendant Care Deduction)
- ❑ EI Compassionate Benefit
- ❑ Registered Disability Savings Plan (with Canada Disability Savings Bonds and Canada Disability Savings Grants)
- ❑ New Veterans Charter with Disability Awards and Allowances, Earnings Loss Benefit, and Supplementary Retirement Benefit
- ❑ Working Income Tax Benefit and Disability Supplement



# Changes to existing federal income programs

- ❑ Increases in maximum amounts: Age Credit, Pension Income Credit, Child Disability Benefit
- ❑ Extended scope of allowable expenses: Disability Tax Credit, METC
- ❑ Restricted coverage: Employment Insurance
- ❑ Streamlined access: Old Age Security, Guaranteed Income Supplement
- ❑ Eased contribution requirement for benefits: CPP Disability for long-time workers
- ❑ Strengthened penalty provisions for fraud: OAS and CPP
- ❑ Revised transfer allocation: Canada Social Transfer
- ❑ A non-change as policy: GST Credit kept at 7%



## Still other new federal income benefits

- ❑ Apprenticeship Job Creation Tax Credit
- ❑ Canada Employment Credit
- ❑ Full Exemption of Postsecondary fellowships, scholarships and bursaries
- ❑ Tax Credit for Public Transit Passes
- ❑ Textbook Tax Credit
- ❑ Trades people's Tool Expenses Deduction



# Canada Social Transfer

- ❑ Federal block transfer to provinces/territories for three areas: post-secondary education, children, social services and social assistance
- ❑ Prime vehicle of federal support for social assistance safety net
- ❑ As of 2007-08, cash transfers allocated on an equal per capita basis
- ❑ Cash levels set in legislation up to 2013-14 and, as of 2009-10, will grow by an annual 3% escalator in line with inflation and population growth
- ❑ Harper government's apparent emphasis in the CST is long-term funding support for post-secondary education





# Canada Social Transfer cash support (Millions \$)

Priority Areas	2007-08	2008-09	Change
Children	850	1,100	250
Post-secondary	2,435	3,235	800
Social assistance	6,202	6,202	--



# Social assistance and persons with disabilities

- ❑ Study by the National Council of Welfare estimating the welfare incomes of persons with a disability
- ❑ Persons are assumed to have a medically certified long-term disability and not employed in the labour force
- ❑ Welfare income includes basic P/T social assistance and additional benefits, federal GST credit and any relevant provincial tax credits



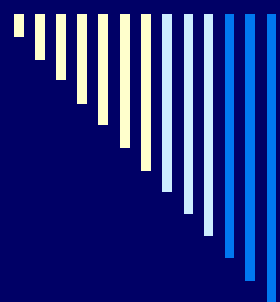
## Declines in real welfare incomes for persons with a disability, 1997-2005

NFLD	- \$1,327	-12.0 %
PEI	-1,921	-19.2
NS	-1,525	-14.6
NB	-124	-1.5
QUE	-137	-1.3
ONT	-1,855	-13.3
MAN	-1-132	-11.6
SASK	-541	-5.7
ALTA	-215	-2.7
BC	-693	-6.1



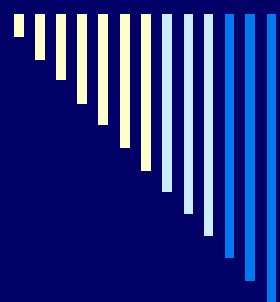
# Deepening benefit inadequacy and financial insecurity

- Between 1997 and 2005 – the present period of budget surpluses - welfare incomes for a single person with a disability fell in all 10 provinces
- In half the provinces, substantial declines of between 12% to 19% in the real value of social assistance and related welfare support
- In 7 provinces, the 2005 welfare incomes for persons with a disability was *the lowest level since 1986* when data were first collected
- For most provinces, the year of highest welfare benefit levels for persons with disabilities was in the early 1990s



## Comments on this income policy landscape

- ❑ Increasingly complex “disability income system”
- ❑ About 12 new federal disability-related income programs introduced in last five years
- ❑ Plus diverse changes to several existing programs and other income and tax measures introduced
- ❑ Issues of incoherence and inequities
- ❑ Does little for poverty alleviation or for closing gaps in services and supports



## Further comments on this policy landscape

- Canada Social Transfer cash levels set in legislation and with an escalator will provide a predictable and modestly growing fund to the provinces and territories
- Yet, the cash component for social assistance has *no new investments* identified in recent federal budgets
- Provinces/Territories will need to amend their welfare rules to exempt RDSP assets (just as most exempt RESP assets)



# Disability income reform ideas and action plans

Various reports in circulation:

- ❑ CPRN “new social architecture” series of research papers (2004)
- ❑ Report of the Task Force on modernizing income security for working age adults (2006)
- ❑ National Council of Welfare’s national anti-poverty strategy (2007)
- ❑ Saskatchewan Disability Income Coalition (2007)



# FPT working group on benefits for persons with disabilities

Over 2003-2005, examined a set of four options:

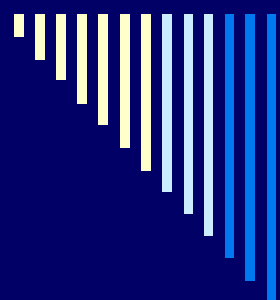
1. New federal transfers to provinces and territories for disability supports
2. New federal refundable tax credit for people with severe disabilities
3. Earned income supplement for low income workers with disabilities
4. New Canadian disability income program with reinvestment by provinces and territories into disability-related services and supports





# Caledon Institute of Social Policy: proposed reforms

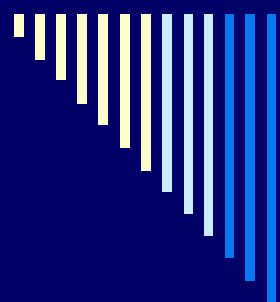
- ❑ Make the nonrefundable Disability Tax Credit a refundable benefit to help low-income persons with disabilities
- ❑ Replace welfare benefits for most persons with disabilities with a new income-tested federal Basic Income program, delivered through the tax system, for those adults with severe and prolonged disabilities
- ❑ Benefit value of Basic Income equivalent to maximum OAS/GIS for low-income seniors
- ❑ Enables provinces/territories to reinvest resulting savings into disability supports and services



## A National Action Plan on Disability: CACL, CAILC, CCD and others

Four key areas identified:

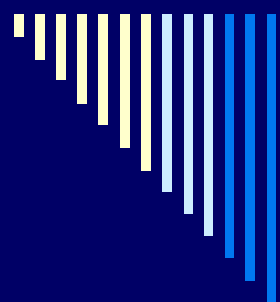
- ❑ Investments in disability related supports
- ❑ Initiatives to alleviate poverty
- ❑ Measures to increase access to labour force
- ❑ Initiatives to promote access, inclusion and full citizenship



# On initiatives to alleviate poverty

## First steps:

1. Make the DTC refundable
2. Make those eligible for CPPD automatically eligible for the DTC
3. Make CPPD benefits non-taxable
4. Expand EI Sickness benefits to 52 weeks
5. Ensure new federal benefits such as RDSP are not clawed back by provinces/territories from those recipients on social assistance



# On initiatives to alleviate poverty

## Future steps:

- An expanded role by the federal government in income support for Canadians with disabilities thus freeing up resources at the provincial/territorial level for re-investment in disability supports and services
- Phased in over the medium to longer term



# Conclusions

- ❑ Convergence of thinking on desired changes: get people with disabilities off welfare, provide better income especially for those with severe impairments
- ❑ Recent pattern of numerous, separate add-ons is problematic
- ❑ Need for policy mix of tax measures, income benefits, and services
- ❑ Expanding supply of supports linked with improving income benefits



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# Conclusions

- ❑ Intergovernmental collaboration required although with clear distinction of roles
- ❑ Federal government take the lead on income security for Canadians with disabilities
- ❑ Provincial and Territorial governments responsible for disability-related services and supports
- ❑ Engagement by disability community is crucial in these policy development processes