PRIMER ON DISABILITY INCOME

POLICY PRIMER

from IRIS – Institute for Research and Development on Inclusion and Society

Institute for Research and Development on Inclusion and Society (IRIS), Oshawa.

ISBN 978-1-990565-10-6
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Acknowledgments

IRIS is grateful to Sherri Torjman who undertook the research and writing of this report. Sherri Torjman is a social policy consultant and policy associate with Maytree. Sherri was Vice-Chair of the Disability Advisory Committee reporting to the Minister of National Revenue. Sherri was Vice-President of the Caledon Institute of Social Policy from 1992 to 2017. She was a member of the Leader's Economic Advisory Council and has worked for the National Council of Welfare where she developed the methodology for calculating welfare incomes currently used in the Welfare in Canada reports. Sherri has also worked for the House of Commons Committee on the Disabled and the House Committee on Child Care. She co-chaired the Technical Advisory Committee on Tax Measures for Persons with Disabilities, reporting to the Minister of Finance and Minister of National Revenue. Sherri also researched and wrote IRIS' first 'Primer' on the Canada Disability Benefit, available at www.irisinstitute.ca/resources.

We also extend our sincere thanks to disability community representatives and public officials who participated in focus groups for this project and who provided feedback on an initial draft.

IRIS gratefully acknowledges the generous financial contribution of the Social Development Partnerships Program – Disability Component which made the research, preparation and production of this Primer possible.

About IRIS

Informed by the systemic exclusion that people with intellectual disabilities and other marginalized groups face, IRIS's mission is to seed and support transformative social development. Guided by the principles of full inclusion and human rights, we carry out research to identify issues and policy options. We foster social innovation to re-imagine inclusion and design new ways to meet unmet needs. Through capacity building, we strengthen leadership and constituencies for transformative change. For more information, visit us as at *https://irisinstitute.ca or email contact@irisinstitute.ca.*

Foreword

This *Primer on Disability Income* is one of a series of primers on public policy the Institute is launching to help inform and resource disability communities and policy makers. Our aim is support you in advancing law and policy reforms that secure a rightful place for people with disabilities in Canadian society. This series was launched with a *Primer on Disability and Public Policy* which looks at what policy is, how it is made, how it impacts people with disabilities and how the public can engage in advancing policy reform.

In addition to an earlier *Primer on the Canada Disability Benefit* to help inform public dialogue and policy-making for this new income benefit, the focus on disability income in this primer is timely and much needed. People with disabilities in Canada face significantly higher rates of poverty, however it is measured. The marker has not moved much despite a myriad of programs whose purpose is to replace or boost low income.

The existing income programs and tax measures help close the income gap for some. But a systematic policy approach to disability income in Canada is still lacking. The current system consists of piecemeal measures in search of a coherent policy framework. While the 2020 federal announcement of a Canada Disability Benefit brought new hope for greater coherence, the details regarding its design and implementation are still being developed.

This *Primer on Disability Income* sets out the elements of the current disability income system, the core principles that should guide reform, and the challenges linked to eligibility, policy coherence, adequacy and disincentives. It explains key concepts related to income security and provides the policy language that we hope will enable informed conversation and participation in the public discussions on the disability income system now under way.

As the disability community rapidly grows in Canada, and globally, in the coming decade, a robust policy dialogue on systemic reforms is urgently needed. Consigning more and more people to the depths of poverty so many experience is not a policy solution, though it has been the outcome of the piecemeal approach to date. As the disability community itself becomes more diverse, and as senior leaders in both civil society and the public sector step back from their roles, we turn to the next generation of leaders to envision a future of equality and full participation and take bold steps to get there. We hope our Primer series can serve that work; that it becomes a resource to support proactive and informed dialogue that learns from the policy gaps of the past – and charts a path that leaves no one behind.

Michael Bach, PhD
Managing Director

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This primer focuses on income security – one of the core concerns of social policy and disability policy, more specifically. The document discusses general concepts regarding income security and describes the major disability income programs in Canada.

The focus on income programs, in particular, is linked to the fact that they play a profoundly important role in reducing poverty – a problem of long-standing concern to the disability community. People with disabilities face disproportionately higher rates of poverty than other Canadians.

What is income?

We often talk about income as though it has a single meaning. Most people think about income in terms of the amount of money they receive – through paid employment, government programs and other sources – to pay for basics like food, shelter, utilities and transportation.

Many individuals need extra funds for disability-related items, such as technical aids, support services or medications.

From a policy perspective, however, the term income has several meanings.

i. Household income

Policy discussions typically distinguish between the concepts of gross income and net income. These generally refer to the *income of a given family or household.*

Gross income is the sum of the money an individual or family makes in a year, including salaries, wages, bonuses, capital gains and interest income. It is basically the total income a household receives prior to income taxes and payroll deductions.

In terms of the latter, all Canadian workers must pay Employment Insurance and Canada/Quebec Pension Plan contributions, which are deducted from their pay cheques (i.e., hence the term 'payroll deductions'). Special provisions apply to self-employed workers. https://www.canada.ca/en/services/benefits/ei/ei-self-employed-workers.html

Net income is the amount that remains after income taxes and payroll deductions are applied. It is effectively the amount of money in the pocket.

ii. Population income

There are several related concepts when it comes to assessing income trends in the Canadian population as a whole: market income, total income and disposable income (the latter is also known as after-tax income). These terms have more than just theoretical significance. They help policy-makers identify the source of low income and the unique role that income security programs can play in tackling this problem.

Market income refers to money derived from private sources outside of government. Market income includes wages and salaries, self-employment, private pensions, rent and investment income in the entire population. It is basically the equivalent of gross income for a household – but on a population scale.

Research reports on income inequality, described below, typically focus on market income. Inequality is rooted in disparities or large gaps in the wages, salaries and investment income between households at the higher end and those at the lower end of the income scale.

Total income refers to the income that individuals and families receive from both market income and various income programs, described below. Households with little or no market income receive virtually all of their money from one or a combination of these income programs.

After-tax income – also known as disposable income – is the amount of money that households are able to keep after various tax credits are applied and income taxes are paid.

The distinctions among market income, total income and disposable (after-tax) income are important when determining the appropriate interventions around two key problems with which social policy is concerned: poverty and inequality. While poverty is different from income inequality, the two concepts are closely linked.

Measures of poverty and inequality

i. Poverty measures

Poverty refers to the lack of income to pay for the necessities of life. Poverty discussions focus primarily on households at the lower end of the income distribution – individuals and families whose incomes fall below a designated poverty line or poverty standard, discussed below.

However, poverty is more than just lack of income. It also refers to a lack of resources and other opportunities. Statistics Canada sets out both the economic and social dimensions of poverty in its Poverty Hub. https://www.statcan.gc.ca/en/topics-start/poverty It also sets out a dashboard of indicators that capture the wide-ranging dimensions of this problem. https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2022011-eng.htm

Income inequality is a related, but distinct, concept. It is concerned not just with the portion of the population that falls below a certain low-income threshold. Income inequality arises from the fact that some people in a country or region have far more income than others. Income inequality reflects how equally – or unequally – income is distributed across the population.

Measures of both poverty and inequality have been developed over the years. Empirical measures cannot possibly capture the unrelenting stresses and struggles experienced by people living in poverty. Neither do they reflect the wide-ranging health and social consequences of life below the poverty line. However, these measures are important in that they help determine the extent of poverty and inequality in a given region or country. When tracked over time, they can identify whether progress has been made in tackling these problems.

In Canada, three measures have been used to determine the prevalence of poverty – the low income cut-off (LICO), low income measure (LIM) and market basket measure (MBM).

The LICO represents the income level at which a family lives in 'straitened circumstances' because it must spend a greater proportion of its income on necessities than the average family of similar size. There are separate income cut-offs for seven family sizes – from unattached individuals to households of seven or more persons – and for five community sizes from rural areas to urban areas with a population of 500,000 or more.

The LIM is the most commonly used poverty measure when it comes to international comparisons. It considers a household to be low income when it is much worse off than the average household. The LIM is calculated as one-half the median income of an equivalent household. Median household income refers to the income level earned by a given household where half of the households in the designated geographic area earn more and half of the households earn less.

The MBM calculates poverty thresholds based on the cost of a basket of food, clothing, shelter, transportation and other necessities for a family of two adults and two children. The basket is intended to reflect a modest, basic standard of living. A related income measure is known as Deep Income Poverty (MBM-DIP), which helps identify households whose disposable income is less than 75% of the MBM.

The MBM thresholds estimate the disposable income required to meet basic needs, taking into account community size, location and household composition. The MBM is priced for 53 different geographic areas in Canada, not including the Territories. A family with disposable income below the relevant MBM threshold for that household size and region is considered to be living in poverty.

In August 2018, the federal government released *Opportunity for All – Canada's First Poverty Reduction Strategy*. The document set out several long-term commitments to reduce poverty, including the establishment of Canada's Official Poverty Line based on the MBM. https://www.canada.ca/content/dam/canada/employment-social- development/programs/poverty-reduction/reports/poverty-reduction-strategy-report-EN.pdf

The Poverty Reduction Strategy announced a target of reducing the poverty rate in Canada by 20% by 2020 and 50% by 2030. The latter objective aligns with the Sustainable Development Goals (SDGs) set out by the United Nations. https://sdgs.un.org/goals The Strategy also created a National Advisory Council on Poverty and a Data and Measurement Plan to inform future policy measures.

The associated *Poverty Reduction Act* mandates Statistics Canada to review the MBM on a regular basis to ensure that it reflects the up-to-date cost of a basket of basic goods and services. In collaboration with Yukon and the Northwest Territories, Statistics Canada and Employment and Social Development Canada designed a Northern Market Basket Measure (MBM-N) for use in those territories.

ii. Inequality measures

Various measures are employed to assess the extent of income inequality in a population. Inequality can be understood as the percentage of income owned by a certain proportion of the population. For example, 20% of a country's population may control 70% of a country's income, representing a high degree of inequality.

While there is no perfect methodology for determining the extent of income inequality in a given nation or region, a measure known as the Gini coefficient is the commonly used standard. It enables global comparisons to identify countries with higher and with lower rates of income inequality.

The Gini coefficient is expressed as the difference between the actual distribution of income within the population and a benchmark in which everyone has the same income. A score of zero means perfect equality. A score of 1 means a country's entire national income is earned by just one person. The higher the number, the greater the degree of inequality, and vice versa.

Both the zero and 1 endpoints of the Gini coefficient are theoretical in that no country has a perfectly equal distribution of income. Neither is there any country in which all the nation's income goes to a single person.

A substantial body of evidence from around the world shows the wide-ranging negative impact of high rates of income inequality. Societies marked by substantial inequality sooner or later pay the price.

Regardless of a nation's wealth, it will be more dysfunctional, violent and unhealthy if the gap between income groups grows too wide. Countries with more equal wealth distribution have been found, on the basis of wide-ranging indicators, to be healthier and happier than richer, more unequal nations. https://www.hup.harvard.edu/catalog.php?isbn=9780674979857

When it comes to poverty and inequality, there are no perfect measures. They are proxies of these two very serious problems. Changes in the measures are important barometers of whether the problem is getting better or worse.

Income programs have been designed and implemented by governments to reduce both poverty and inequality. Social policy has always been concerned with how best to tackle these related challenges.

While both problems are serious, this document is concerned primarily with poverty reduction in response to the issues raised by the disability community. Moreover, while this primer acknowledges the multiple dimensions of poverty, it focuses on income and, more specifically, on those income programs most relevant to people with disabilities.

Income security programs help reduce poverty

The recent economic context has been especially difficult. Rampant inflation in recent years has seriously curbed the ability of low-income households, already living under impossibly tight constraints, to feed their families and pay the rent.

People with disabilities have been most deeply affected by the current economic turbulence. They too bear the brunt of galloping inflation. But they also incur additional disability-related costs that can total hundreds or even thousands of dollars. People with disabilities may also face exceptional expenditures, such as COVID-related personal protective equipment and delivery charges. In fact, the federal government introduced a targeted, one-time COVID benefit to help offset these additional costs.

However, people with disabilities face a unique set of obstacles in addressing these income challenges. Access to market income through paid employment is the primary way to reduce poverty. Unfortunately, far too many people with disabilities face barriers to labour market participation and have no means to secure market income. Paid employment has not been a feasible option for several reasons.

Some individuals are unable to access basic education, let alone the training or postsecondary studies they need, to work in the paid labour market. Others are unable to participate in existing training programs because they require special equipment, supports or accommodation, such as accessible transportation or modified physical premises. Still others face barriers related to hiring practices or discrimination based on stereotypes that equate disability with inability.

But even those with full-time work often struggle to survive on low income. Far too many workers live in poverty even though they are employed full time. Their low wages do not provide sufficient income to rise above the poverty line. These households are sometimes referred to as the 'working poor.'

As a first step, there is a need for policies and practices that increase market income. For example, there would be:

- access to education and training
- guidance and financial assistance for workplace accommodation
- requirements for hiring persons with disabilities
- higher minimum wages

Ideally, workers would be paid a living wage. A living wage refers to sufficient earnings that pay above-poverty levels in a given community.

Right now, these preventive interventions are insufficient. As a result, many people with disabilities must rely on income programs that either supplement their low earnings or replace their lack of income through employment.

There are also several important considerations with respect to income programs. These include:

- key objectives
- core principles
- program design

A. Key objectives

Questions are often raised as to why there are so many different income programs in Canada. While the income security landscape described below can be confusing, there is a reason for this diversity.

Various income programs have different objectives. There are multiple programs because they have the following distinct purposes:

- compensation
- replacement
- supplementation
- savings

The design of income security programs is determined primarily by their purpose. Form follows function.

i. Compensation

The first group of income programs provides compensation for injury or loss of function. Several modest compensation programs are operated by the federal and provincial/territorial governments. The federal government administers compensation for criminal injuries and exceptional health-related conditions, such as hepatitis C or thalidomide. Some provinces, including Quebec, Manitoba, Saskatchewan and BC, operate public automobile insurance schemes.

But the main players within this category of disability programs are provincial/territorial Workers' Compensation, funded by employers. Workers' Compensation is basically a collective provision that protects employers from potential financial ruin in the event that an employee experiences a work-related accident or illness and decides to launch a lawsuit for damages.

The purpose of this program is to compensate injured employees for the effects of an injury that occurred at work or ill health linked directly to conditions within the workplace.

Employees are not eligible for compensation if their injury, ill health or disabling condition is not directly linked to the workplace.

ii. Replacement

The purpose of *income replacement* programs is to provide income when earnings are interrupted due to health- or disability-related reasons or in the event of retirement. Income may be replaced on a short-term basis, generally through Employment Insurance, when the worker is expected to return to the paid labour market – e.g., after lay-off or maternity/parental leave.

Income is replaced on a long-term basis, typically through the Canada/Quebec Pension Plan, after a worker retires. The latter also pays long-term disability benefits for workers with a health-related or disabling condition that is severe and prolonged.

There are several major types of income replacement programs in Canada: social insurances, demogrants and needs-tested programs.

a. Social insurances

Social insurances represent a category of income programs that are funded primarily by employer and employee contributions. Employee contributions to social insurance programs in Canada are compulsory and typically are deducted directly from pay.

Social insurances provide income protection by pooling employer and employee contributions against certain risks such as unemployment, retirement or disability. Benefits are paid if contributors or eligible workers fall victim to those risks.

In theory, a social insurance program is expected to adhere to insurance principles. Individual contributors seek to protect themselves from the insecurities arising from a given risk.

In the case of Employment Insurance, workers are protecting themselves from the insecurity associated with unemployment. The Canada Pension Plan replaces earnings in the event of retirement or when the disability is severe and prolonged.

In terms of disability in particular, Employment Insurance covers short-term absences from work due to temporary illness or disabling condition. The Canada Pension Plan and twin Quebec Pension Plan provide financial assistance when the disability is severe and prolonged.

These programs are insurance-like not only in intent – i.e., providing protection against risk. They are also insurance-like in design. Prospective beneficiaries make financial contributions to the program in order to build up a pool of funds. The pool then is used to make payments if the designated risk happens to arise

Employment Insurance

Employment Insurance (EI) provides taxable payments, called regular benefits, to unemployed Canadians who lose their jobs through no fault of their own due to shortage of work, seasonal or mass lay-offs. While these workers are available for and are actively looking for work, they cannot find a job.

Unemployed workers may not qualify for EI if they voluntarily left their job without just cause, were dismissed for misconduct or are unemployed because they are directly participating in a labour dispute, such as a strike or lockout. https://www.

canada.ca/en/revenue-agency/ corporate/about-canada-revenue-agency-cra/disability-advisory-committee/2022-full-report.html regular-benefit/eligibility.html

In addition to regular benefits, EI provides a range of special benefits for certain purposes, such as sickness, parental leave and compassionate care. The EI sickness benefit is of particular interest due to its links to disability. This benefit is now provided for 26 weeks – up this year from their former maximum 15 weeks. https://www.canada.ca/en/employment-social- development/ news/2022/11/employment-insurance-sickness-benefits.html

In practice, however, the eligibility criteria are not as simple as the contribution in/payment out process would imply. In addition to the required payments, other sets of rules determine eligibility for benefits.

In the case of EI, for example, workers must have made contributions to the plan for a minimum number of hours. They are entitled to receive benefits for a set number of weeks. The duration of benefits varies by the unemployment rate in the area in which the worker claims the benefits.

In fact, in response to the wide-ranging concerns regarding this program, the federal government organized a series of national consultations that heard various proposals for reform. https://www.canada.ca/en/employment-social-development/programs/ei/ei- list/reports/consultations-what-we-heard-phase2.html

Canada/Quebec Pension Plan disability benefit

The Canada Pension Plan disability benefit (CPP-D) is available to people who have made the required financial contributions and who are not able to work regularly at any job because of a severe and prolonged disability. Quebec operates the twin Quebec Pension Plan disability benefit.

Under the CPP-D, 'severe' means that applicants have a mental or physical disability that regularly stops them from doing any type of substantially gainful work. 'Prolonged' means that the disability is long-term and of indefinite duration or is likely to result in death.

Workers contribute a percentage of their wages as contributions or premiums. Employers match the employee contribution.

To qualify for a CPP disability benefit, applicants must be under age 65 and must meet the CPP contribution requirements. Applicants must have contributed to the CPP in four of the last six years, or three of the last six years if contributions have been made for at least 25 years.

Individuals with minimal or no attachment to the paid labour are not eligible for the program.

Canada Pension Plan disability beneficiaries receive monthly taxable payments that are based on a flat rate plus an amount determined by how much they paid into the program during their working careers. The maximum monthly amount is $1,546.05 in December 2023. At age 65, beneficiaries stop receiving the monthly CPP disability benefit and begin receiving the CPP retirement pension.

b. demogrants

Demogrants are cash grants paid by the government to all persons who meet certain criteria, such as age. These types of income programs involve the simplest administration. But they can be costly if they are designed to serve a large segment of the population. At the same time, they are taxable benefits, which means that much of the initial outlay is returned to the government through income taxes.

Canada used to pay a demogrant to all families with children under age 18. Family Allowances no longer exist, having been integrated into the Child Tax Benefit in 1993. The Child Tax Benefit subsequently evolved into the current Canada Child Benefit.

Old Age Security is still paid on a monthly basis to all Canadians aged 65 and over. But it has changed over time to include a clawback provision. Individuals between the ages of 65 and 74 with taxable incomes that exceed a designated threshold – $81,761 for 2023 – must start repaying part of their OAS. Payments end entirely when taxable incomes exceed $141,917 in that year.

The Canadian Emergency Response Benefit (CERB) is the most recent example of a demogrant. It was paid to all individuals who lost work as a result of the COVID pandemic and who had earned at least $5,000 in the previous year.

In June 2020, the federal government introduced a one-time, tax-free payment to individuals eligible for the disability tax credit (DTC), described below. The eligibility list subsequently was expanded to include beneficiaries of other income programs. The purpose of the payment was to help offset additional expenses, such as personal protective equipment and deliveries, which were incurred as a result of COVID. The payment was a basic $600 with an extra $300 to DTC- eligible pensioners who received Old Age Security (OAS) and an extra $100 for DTC-eligible pensioners who received both the OAS and the Guaranteed Income Supplement (GIS).

c. needs-tested programs

Social assistance, also known as 'welfare,' is the major needs-tested program in the country. It is the program of last resort for individuals with no other means of financial support. It acts as a social safety net because it comes into play when all personal resources, including other income security benefits and assets, have been exhausted.

While social assistance is often referred to as a single program, it is actually administered by different departments in 13 provinces and territories. Each jurisdiction sets its own rules regarding eligibility, amount of aid, special assistance, enforcement and appeals.

Despite the variation, provincial/territorial welfare systems share a similar structure. Needs tests are employed to determine eligibility for the program.

The needs test first involves an assessment of applicants' liquid assets, fixed assets and special needs. Asset tests are a way of restricting the potential caseload of a given program. Applicants or current beneficiaries with assets that exceed a designated level will be deemed not to or no longer qualify for the income program.

Liquid assets include cash and other cash-convertible securities, such as bonds that may be available to the household. Most jurisdictions allow the Registered Disability Savings Plan (RDSP), described below, to be fully or partially exempt when calculating the needs test. Fixed assets include a house, car or work-related equipment.

If both liquid and fixed assets are in the permitted range, the next step in the needs-tested process is to determine the total income available to the household. Possible sources include earnings, investment interest, benefits from other income programs, rental income and private sources, such as parental gifts or support.

Total income is then assessed against household need. The latter includes both basic requirements and special needs. Basic requirements consist of essentials such as food, clothing, housing and utilities. Family composition is also taken into account; social assistance benefits vary by family size and by number and ages of children. Special needs refer to health- or disability-related requirements such as special eyeglasses, hearing aids, wheelchairs, medications and orthotic appliances.

When it comes to basic benefits, most jurisdictions pay slightly higher benefits to people with disabilities. Several provinces operate separate programs for this population: the Ontario Disability Support Program (ODSP), Saskatchewan Assured Income for Disability (SAID) and Alberta Assured Income for the Severely Handicapped (AISH).

Social assistance recipients who are considered employable or who are deemed unemployable but are able to find some paid work are permitted to earn a certain amount of income per month before they start losing a portion of their social assistance benefits. The allowable amounts are known as 'earnings exemptions.'

Special assistance is paid in respect of additional needs, such as certain health requirements, dental care, medications or disability-related expenses. Coverage of these extra costs is actually a positive feature in that the special assistance can amount to hundreds or even thousands of dollars for households with complex needs.

At the same time, this positive feature can often make it difficult for recipients to move off social assistance and into the paid labour market. Special assistance is one of the bricks in the welfare wall that traps people on that program. The Caledon Institute coined the term 'welfare wall' to represent the fact that most recipients end up worse off financially if they leave social assistance for the paid workforce. https://maytree.com/wp-content/uploads/The-Welfare-Wall-Interaction.pdf

iii. Supplementation

The purpose of *income supplementation* is to boost low income. There are two kinds of supplementation.

Wage or *earnings supplements* help boost low wages. As noted, it is possible to work full time and still live near or below the poverty line, depending on region and family size.

The purpose of earnings supplements is to help make work pay – i.e., to ensure that workers are always better off financially when they are employed rather than when they receive some form of income support. The Canada Workers Benefit is the prime example of earnings Supplementation.

In 2023, the CWB paid a maximum $1,428 for single workers ($2,641 for families). The amount is gradually reduced when net income exceeds $23,495 ($26,805 for families). The supplement disappears entirely at net incomes of $33,015 ($43,212 for families). These amounts vary in Quebec, Alberta and Nunavut.

The CWB also pays a maximum annual disability supplement of $737 to both individuals and families. The amount varies in Quebec and Nunavut. https://www.canada.ca/en/revenue- agency/services/child-family-benefits/witb-amount.html

As of July 2023, the federal government will pay half the credit for 2023 as a quarterly benefit for workers who were eligible in the 2022 tax year.

A single worker earning $25,000 per year received $1,200 through the Canada Workers Benefit for 2022. With the new advance payments, they are entitled to three quarterly advance payments of $200 – in July 2023, October 2023 and January 2024. This is a positive development in that workers will have access to funds earlier in the year.

Income supplementation programs boost income from all sources – whether or not the individual or household has employment earnings. The purpose of income supplementation programs is to reduce poverty by raising household income above poverty levels.

Most of Canada's supplementation programs are designed on *an income-tested basis*. These include the Canada Child Benefit (CCB) paid to households with children under the age of 18. https://www.canada.ca/en/revenue-agency/services/child-family-benefits/canada-child- benefit-overview.html Households that receive the Canada Child Benefit and that have a child who is eligible for the disability tax credit (DTC) may qualify for additional funds under the Child Disability Benefit.

The Guaranteed Income Supplement (GIS), described below, and the new Canada Disability Benefit CDB to be modelled on the GIS, are the other major income-tested programs in Canada.

Income-testing means that applicants must qualify on the basis of an income screen. Their level of net income must fall below a certain level.

The income test also determines how much money applicants will receive. Households whose net incomes fall below a designated level or threshold receive the maximum benefit. This threshold is known as the *turning point*.

Above the turning point, benefits are reduced as income increases. The *reduction* rate is the amount by which benefits are reduced as income rises.

Benefits end entirely when net incomes exceed a specified amount, known as the *cut-off point*. The cut-off point does exactly what the words say: Recipients get cut off the program because they are considered no longer in need of financial assistance.

These terms boil down to key rules of income-tested programs:

1. Eligible applicants receive the maximum benefit if their incomes fall below a certain level or threshold.

2. When their incomes exceed that threshold, the benefit starts to drop in value.

3. Beyond a designated level, benefits stop entirely.

Income-tested programs have several advantages. Eligibility is determined on the basis of objective facts rather than a detailed assessment of personal circumstances. Eligibility can be easily determined through level of net income as declared on the income tax form.

Income-tested programs are also administratively simple and non-stigmatizing. By contrast, needs-tested programs require extensive personal information. The latter may employ administrative discretion in which personal judgment is applied to assess the circumstances of households and the extent of need. Applicants in one region or province may qualify for benefits while households in similar circumstances in a different jurisdiction may not.

Once eligibility through income-testing is established, payments can be triggered automatically.

Benefits can be delivered on a consistent and equitable basis throughout the country. There is little or no contact between recipients and government officials.

The major disadvantage of income-tested programs is that they do not take into account special needs or circumstances that may give rise to additional expenses – especially disability supports. Unlike social assistance, which makes provision for a wide range of special needs, income-tested programs provide just that: income. Assistance for any type of special need must be delivered in a different way.

Depending upon their design, income-tested benefits can also be seen as non-responsive. They typically determine eligibility and payment amounts according to net income in the previous tax year.

To address this responsiveness issue, income-tested programs can be designed to include special provisions for adjustments if life circumstances change. There is precedent for this: Canada Child Benefit payments may be recalculated, for example, if another child is born, a child moves into or out of the home or custody is shared.

Another consideration is that income-tested programs can be calculated on an individual or family basis. Individual income-testing means that only the income of an identified person in the household is taken into account. Family income-testing, by contrast, means that the income of the entire household is considered for the purposes of establishing eligibility or determining level of benefit.

The advantage of individual income testing is that it respects the financial independence of all members of the household. It does not assume that any given adult in the household is financially reliant on the other or actually receives funds from the other person.

The disadvantage of individual income-testing, at least from a government perspective, is that income programs can become far more costly than when income is assumed to be shared across the household. Each adult individual within the household is deemed to be eligible, in their own right, for maximum financial assistance available under a given program.

Various income-tested programs are calculated in different ways. The GIS, as noted, is reduced if an eligible beneficiary has a spouse or partner. The Canada Workers Benefit is a mix of these two methods. While workers qualify for benefits on the basis of their individual earnings (individually income-tested), the amount of supplement they receive is reduced on the basis of household income (family income-tested).

iv. Savings

The purpose of savings programs is to encourage people with disabilities to put aside private funds to ensure that do not have to live in poverty. Registered Disability Savings Plans (RDSPs) are the notable example. RDSPs help parents and others make private contributions to ensure the long-term financial security of a person who is eligible for the DTC.

Contributions to an RDSP are not tax deductible and can be made until the end of the year in which the beneficiary turns 59. Contributions that are withdrawn are not included as income to the beneficiary when they are paid out of an RDSP. However, the Canada disability savings grant and bond as well as investment income earned in the plan, are included in the beneficiary's income for tax purposes.

The grant is an amount that the federal government pays into an RDSP. It will provide a matching grant of 300%, 200% or 100%, depending on the beneficiary's family net income and the amount contributed. Up to $3,500 in matching grants can be paid into an RDSP in one year, and up to $70,000 over the beneficiary's lifetime. A beneficiary's RDSP can receive a grant on contributions made until December 31 of the year in which the beneficiary turns 49. https://www.canada.ca/en/revenue-agency/services/tax/individuals/ topics/registered- disability-savings-plan-rdsp/canada-disability-savings-grant-canada-disability-savings-bond.html

The bond is an amount that the federal government pays directly into an RDSP. It will provide a bond of up to $1,000 a year into the RDSPs of low-income Canadians with disabilities. No contributions need to be made to get the bond. The lifetime bond limit is $20,000. A bond can be paid into an RDSP if an application is made on or before the end of the year in which the beneficiary turns 49. The amount of the bond is based on the beneficiary's family net income. https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/ registered- disability-savings-plan-rdsp/canada-disability-savings-grant-canada-disability-savings-bond.html

B. Components of the disability income system

In summary, the disability income system consists of a set of programs designed for distinct purposes. They include the following:

- Workers' Compensation and other automobile and health-related public insurances
- Employment Insurance: pays benefits for short-term unemployment and sickness
- Canada/Quebec Pension Plan disability benefit: pays benefits for long-term disability
- veterans' benefits: pays benefits for long-term disability for veterans
- Canada Workers Benefit: supplements low wages
- Canada Child Benefit: supplements low- and modest-income households with children up to age 18
- Child Disability Benefit: pays benefits to households with children with disabilities if the household and the child qualify for the CCB and the DTC, respectively
- Canada Disability Benefit: supplements low incomes from other sources
- RDSPs: incentivizes private savings
- Guaranteed Income Supplement/Old Age Security: supplements and/or replaces income for all Canadians age 65 and over
- social assistance (welfare): pays benefits for those with no other source of income

C. Tax measures

A primer on income programs would be incomplete without a brief discussion of tax measures – and those specifically related to disability.

Tax measures are often described as though they are income programs. The disability tax credit (DTC), in particular, is typically listed among the programs that provide income for people with disabilities.

This is technically not the case – though tax measures do have a significant impact upon level of net income. The DTC, in particular, has evolved in recent years to play a much larger role with respect access to and the delivery of income programs. In fact, disability-related tax measures play three key roles:

- recognize additional costs
- determine eligibility for selected disability programs and benefits
- deliver income-tested benefits to eligible households

i. Recognize additional costs

While tax measures certainly affect household income, they themselves are not actually income programs. Rather, the primary role of disability-related tax measures is to help offset additional costs by reducing the income taxes that people with disabilities are required to pay.

The tax measures described below recognize that some taxpayers incur extra costs in order to maintain their health or participate in the paid labour market. These costs include, for example, prescription medications, special support services, and technical aids and equipment.

Because these are essential costs, individuals do not have to pay tax on income that they had to spend for these purposes. The income tax system considers two types of expenses: itemizable and non-itemizable costs.

Itemizable costs refer to those that can be readily costed such as:

- hearing or visual aids and devices
- equipment that assists with breathing
- mobility devices
- special computer hardware and software
- behavioural assessment and intervention services
- personal support workers

As its name implies, the medical expense tax credit (METC) helps offset medical and health-related costs. https://www.canada.ca/en/revenue-agency/services/ tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/lines- 33099-33199-eligible-medical-expenses-you-claim-on-your-tax-return.html

A tax credit reduces the amount of income tax that a given individual is required to pay. A tax deduction operates somewhat differently. A deduction allows costs to be subtracted from total income, thereby reducing the overall level of income on which taxes are paid.

The disability supports deduction (DSD) offsets the cost of disability-related technical aids and equipment intended specifically for education, training and employment. Individuals who claim costs under the medical expense tax credit or the disability supports deduction must be able to produce receipts, if requested, for the expenses they incurred. https://www.canada.ca/en/revenue- agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax- return/deductions-credits-expenses/line-21500-disability-supports-deduction.html

However, the extra expenses incurred by Canadians with severe disabilities are often not so readily itemizable as the costs that may be claimed under the METC or DSD. Non-itemizable expenses include:

- higher utility charges for heating, air conditioning or electricity
- additional travel involved in getting to an accessible store
- higher cost of items at an accessible store
- wear-and-tear on certain items of clothing

The tax system recognizes these non-itemizable, but very real, costs through the disability tax credit (DTC). Applicants must have a designated health provider complete the required tax form called the T2201. https://www.canada.ca/content/dam/cra-arc/formspubs/pbg/t2201/t2201- 22e.pdf

The DTC reduces the income tax payable of applicants who qualify because they have a severe and prolonged impairment in physical and/or mental functions that impedes their ability to carry out the basic activities of daily living. In 2023, the DTC reduces income taxes by a maximum $1,414. While individuals with no taxable income derive no financial benefit from this tax credit, they may need to apply for it to be eligible for a range of disability programs. https://www.canada.ca/en/revenue-agency/services/tax/individuals/segments/tax-credits- deductions-persons-disabilities/disability-tax-credit.html

ii. Determine eligibility

The DTC originally was introduced to help recognize the non-itemizable costs of disability. Over time, its role has evolved to include a second vital function. It has become the gateway to establishing eligibility for key disability benefits and programs.

These include the:

- DTC child supplement
- Child Disability Benefit
- medical expense tax credit (certain costs)
- Canada Workers Benefit supplement
- child care expenses deduction
- Canada Student Grant for students with disabilities
- home accessibility tax credit
- home accessibility expenses
- home buyers' plan
- home buyers' amount
- registered disability savings plans (RDSPs)
- qualified disability trust
- disability-related employment benefits

Because the DTC now plays the role of gatekeeper to many significant disability-related programs, its eligibility requirements and access challenges have been raised as major concerns. These are documented in three annual reports of the Disability Advisory Committee to the Minister of National Revenue. https://www.canada.ca/en/revenue- agency/corporate/about-canada-revenue-agency-cra/disability-advisory-committee.html

The access problem is particularly acute for some Indigenous Peoples who have a special tax relationship with the federal government. As a result, they were inadvertently excluded from receiving tax-delivered benefits, such as the Canada Child Benefit. Employment and Social Development Canada and the Canada Revenue Agency have introduced several measures to both inform and assist potential applicants in completing the required income tax forms.

iii. Deliver benefits

The income tax system provides the most effective and efficient method for determining eligibility for and calculating the amounts to be paid through various income-tested income programs. The Canada Child Benefit (CCB) and the Canada Workers Benefit (CWB) are prime examples of income programs assessed and delivered in this way.

The income tax system represents the best way to reach the vast majority of Canadians. It acts like a national social railway. The income tax system also ensures portability. Households can move freely throughout the country without worrying about losing benefits or having to requalify for a given income program.

D. Core principles

While various clusters of income programs have distinct purposes, they all should be designed to respect several core principles. These include:

- adequacy
- equity
- portability
- clarity
- transparency

The first important principle of income program design is that benefits must be *adequate*. Adequacy is measured in both absolute and relative terms.

In *absolute terms*, adequacy in the case of income replacement means that benefits are sufficient to pay for the basics of life. Benefits are considered adequate if they exceed poverty standards – in the case of Canada, the MBM Official Poverty Measure.

In *relative terms*, adequacy refers to the capacity of benefits to keep pace with changes in the cost of living. In order to meet rising costs, benefits must be indexed to inflation. The Canada Pension Plan, for example, is indexed on an annual basis. The Guaranteed Income Supplement, intended for low- and modest-income older Canadians, is indexed quarterly.

As of 2022, only three jurisdictions index basic social assistance benefits: New Brunswick, Quebec and Yukon. Alberta began indexing social assistance benefits in January 2023. Manitoba indexes shelter payments that are separate from their social assistance program. Three jurisdictions index their provincial child benefit: Newfoundland and Labrador, Ontario and Quebec. Ontario, Quebec and Saskatchewan index other provincial tax benefits. https://maytree.com/wp-content/uploads/ Welfare_in_Canada_2022.pdf

The *equity* principle refers to fairness. There are two kinds of equity that need to be considered in the design of income security programs. *Horizontal equity* refers to the idea that people living in similar circumstances should be treated the same way. *Vertical equity* refers to the principle that people with higher incomes should pay a greater share of their income for public services (i.e., they should pay higher taxes) than people with lower incomes.

Portability means that beneficiaries of income security programs should able to access those programs, regardless of where they live. Benefits provided by the federal government are portable across the country. By contrast, benefits paid by provinces and territories, notably social assistance, are not portable. Benefits can be claimed only if the applicant resides in the jurisdiction making the payment.

Clarity refers to the ease of application and administration of the income program. The related *transparency* principle refers to the fact that beneficiaries should be able to easily understand how their benefits were or will be calculated. Several federal programs now have a benefits calculator posted to their websites so that applicants or current beneficiaries can see precisely how much they are eligible to receive. The link to the child benefits calculator provides an example. [https://www.canada.ca/en/revenue-agency/services/child-family-benefits/child- family-benefits-calculator.html](https://www.canada.ca/en/revenue-agency/services/child-family-benefits/child-family-benefits-calculator.html)

E. Challenges of the disability income system

While the various disability income programs are intended to work together as a system, they are administered as distinct entities. The programs operate independently as though they are discrete points along a continuum. They rarely act as a set of linked efforts that respond effectively in the event of changing circumstances, such as a deteriorating condition or reduced workforce participation.

Various challenges arise around the following factors:

- eligibility
- coherence
- adequacy
- supports
- disincentives

i. Eligibility

Eligibility for several disability income programs is determined by where and how claimants became disabled and by the duration and severity of their disability.

As noted, certain programs replace employment earnings for those out of work. Social insurances include Employment Insurance (which pays a sickness benefit), the Canada/Quebec Pension Plans (which pay retirement and disability benefits) and Workers' Compensation that insures against earnings loss for employees who suffer a work-related accident or illness.

Private disability insurance offered by some employers or purchased by individuals serves the same purpose.

For most Canadians with disabilities, the promise of the income security system far exceeds its performance. Many simply do not qualify for public or private insurance programs because these require a minimum period of participation in the workforce. Others with severe impairment in physical or mental functions typically have limited or no attachment to the paid labour market.

As a result, thousands of individuals with disabilities end up on social assistance. Many recipients subsequently are unable to leave that program because it is often the only way to get help with disability-related costs.

Another eligibility problem arises from the fact that the DTC now acts as the entry point to a wide range of income benefits and disability-related programs. Applicants who fail to qualify for the DTC are not eligible for a range of benefits and supports that can enable their independence.

ii. Coherence

Eligibility challenges can also lead to a lack of coherence. The EI sickness benefit, for example, is paid for a maximum 26 weeks (recently increased from a maximum 15 weeks). Even this longer period is not sufficient to cover many chronic illnesses, such as cancer, diabetes and cardiovascular problems, as well as episodic conditions, such as multiple sclerosis and asthma. Episodic conditions involve symptoms that come and go, and may require frequent work absences.

Workers whose EI sickness benefits have expired are not eligible to apply for the Canada Pension Plan disability benefit. The latter requires that the disabling condition be sufficiently severe and prolonged to prevent workforce participation – other than minimal involvement if recipients are deemed to have rehabilitation potential.

The two programs have not been set up so that one takes effect when the other one ends. They are considered discrete sources of support that provide financial protection for two different circumstances.

There is another factor to consider with respect to coherence. Financing from diverse sources means that there is no single payor for disability income programs. Because their overall cost is shared among several payors (federal government, provincial/territorial governments, employers, employees, private insurance companies and individuals), it is difficult to propose a consolidation of these programs or a collapse into one larger program. It would mean that only one source – in this case, the federal government – would have to foot the bill for the entire package.

The various challenges will continue to influence the debate and the push for bigger reform. There is an extensive network throughout the world that is calling on nations to introduce a Basic Income in order to bring more coherence, adequacy, clarity and transparency to the existing set of income programs. It is backed by a growing body of literature on the strengths of this approach.

There would be no need for excessive administration or complex eligibility criteria. All working-age Canadians would be eligible for the benefit regardless of household size, age or presence of disability. Presumably Canada's long-established pension system would remain in place for individuals aged 65 and over. Differences in family size could be offset by the existing Canada Child Benefit.

At the same time, there are observers who point to high costs and potential work disincentives. Others argue that the current benefits have a specific purpose. If a given program were not in place, then it likely would have to be reinvented. Compensation programs, for example, may do more than provide income. They are also intended to compensate for loss of function, which has associated costs over the course of a lifetime.

There is no single way to design a Basic income., which can take many different forms. Despite differences in design, the goal is the same: to provide an income guarantee below which a person cannot reasonably be expected to live.

It is of interest that on January 1, 2023, Quebec introduced a Basic Income Program (BIP) for people with disabilities. Its purpose is to provide a basic income to people with long-term "severely limited capacity for employment" due to disability or severe medical conditions [Samuel Ragot in an article to be published in the Osgoode Hall Law Journal 2023].

The new program is part of the *Individual and Family Assistance Act*, which regulates Quebec's last-resort Social Assistance Program (SAP) and Social Solidarity Program (SSP), both of which remain in place. The main difference between the SAP and the SSP is the amount of the benefit recipients receive, based on the recognition of their "limited capacities for employment." These two programs are not disability-specific.

There is no direct access to the BIP. The primary criterion is participation in the Social Solidarity Program for 66 consecutive months of the last 72 months. Once participants in the SSP hit this threshold, they are automatically admitted into the BIP. No additional forms or medical reports must be submitted. Eligibility for the program is permanent until beneficiaries reach age 65, with no further requalification [Ragot 2023].

The other component of the BIP is directed toward young adults whose parents received the Supplement for Handicapped Children Requiring Exceptional Care for 66 out of the last 72 months. When these young adults turn 18, they must first qualify for the Social Solidarity Program for a day before becoming eligible for the BIP the following day.

In 2023, the basic amount for an adult living alone is $1,548 per month or $18,576 per year. Two beneficiaries living together each receive $1,211 per month or a combined annual $29,064 per year. Recipients with children may be eligible for an additional $20 per month for a child under 18 and $345 per month for an adult child attending a post-secondary educational institution. The BIP benefit is not affected by income derived from RDSP accounts.

In 2017, the Ontario government had launched a Basic Income pilot in three selected communities. Its purpose was to test a form of guaranteed income that would replace welfare. The pilot was halted only 18 months later by a newly-elected government, which cited high costs and work disincentives.

Concerns are always raised about the work disincentive effect of basic income programs, despite research evidence that refutes this claim. There is also the optics problem of 'free money,' which can easily derail income security reform.

In 2010, the Caledon Institute proposed a Basic Income for people with disabilities. It would have included fundamental reforms to social assistance and the disability tax credit. The reform called for a major federal investment in a Basic Income. Under a negotiated agreement, provinces and territories would be required to reinvest their windfall savings in disability supports and services.

There is precedent for this approach in the 1988 National Child Benefit Initiative (NCBI). Under the NCBI, Ottawa assumed full responsibility for paying benefits on behalf of households with children – effectively removing from social assistance any payments being made specifically on behalf of children. (Families did not lose any money from this transfer and have gained substantially over the years as a result of this reform.) Provinces and territories agreed, in turn, to invest their windfall savings in supports and services for low-income households.

Not surprisingly, all the policy options for reformulating income programs are more easily said than done. But while Canada may not have a single Basic Income or guaranteed income (as it is sometimes called), it could be argued that the various income programs, taken together, provide an income guarantee. https://maytree.com/wp-content/uploads/1078ENG.pdf.

The need for some form of Basic Income will likely be an ongoing debate in Canada. In the meantime, it is hoped that the new Canada Disability Benefit will address the major shortcomings in the current disability income program.

iii. Adequacy

Another challenge relates to the adequacy of various income programs. This is a difficult area to assess. Income programs can always be more generous – especially in times of high inflation that substantially raises the overall cost of living for all households, but particularly for those with special needs.

Supplementation programs should bring total incomes up to reasonable levels. Take, for example, the Canada Workers Benefit. When added to earnings from paid employment, total income should exceed designated poverty lines in a given region.

The most effective way to assess the adequacy of income programs that replace income from other sources is to compare the benefit with a recognized baseline or standard, and then determine how far the payment falls below that measure.

There are few in-depth evaluations of the adequacy of various income programs in Canada. The exception is the *Welfare in Canada* report first published in 1989. The latest data show that the 40 out of the 41 sample households receiving social assistance fell below Canada's Official Poverty Line, which means that 98% of households were living in poverty in 2022. Moreover, 80% of these households were found to be living in deep poverty in that year. https://maytree.com/wp-content/uploads/Welfare_in_Canada_2022.pdf

While social assistance benefits for people with disabilities are typically higher than the amounts paid to beneficiaries considered employable, the former still fall well below accepted poverty standards. In 2022, the latest year for which data are available, single people with a disability received the following amounts: https://maytree.com/wp-content/uploads/ Welfare_in_Canada_2022.pdf:

- Alberta $11,268; $21,319*
- British Columbia $18,054
- Manitoba $14,125
- New Brunswick $10,884
- Newfoundland and Labrador $20,400
- Nova Scotia $12,687
- Ontario $15,871
- Prince Edward Island $18,715
- Quebec $16,355**
- Saskatchewan $17,039
- Northwest Territories $31,744
- Nunavut $12,755
- Yukon $22,825

*The higher income amount is for the unattached single with a disability who is eligible for Alberta's Assured Income for the Severely Handicapped (AISH) program; the lower amount is for the unattached single with a disability who is eligible for Alberta's Barriers to Full Employment (BFE) program.

**This is the social assistance rate. In January 2023, Quebec introduced a Basic Income Program (BIP), described above, to provide a basic income to people with long-term "severely limited capacity for employment" due to disability or severe medical conditions.

As noted, social assistance benefits are inadequate not only in their amounts. They are also inadequate in relative terms in that most jurisdictions do not peg their income benefits to the cost of living. The lack of indexation means that they lose value in real terms over time.

iv. Disincentives

Many disability income programs have built-in disincentives to work or to move off the program. As noted, people who incur high disability-related costs often need to apply for or remain on social assistance – even though it means receiving less-than-poverty-level rates of financial aid.

Social assistance recipients have long talked about the multiple disincentives embedded in that system. A formal in-depth study identified the many dimensions of the so-called 'welfare trap.' In 1993, the Ontario Fair Tax Commission approached the Caledon Institute of Social Policy to carry out an in-depth study on the impact of direct and indirect taxes imposed on social assistance recipients who have some earnings from paid work.

The disability community has long been concerned about both the lack of access to disability supports and the associated cost of some of the technical aids, equipment and personal services. Many have called on increases to income programs to help cover these additional costs.

However, some of these costs are modest while others can be very high, ranging from several hundred to tens of thousands of dollars a year. There is no single income program that can possibly meet this variability. Only the complex needs-tested social assistance programs make additional provision for these special needs. A robust and fulsome strategy with respect to disability supports is required.

Some provinces and territories have introduced a form of assistance, known as individualized funding, to meet these special needs. Individualized funding refers to the transfer of dollars directly to individuals to enable them to purchase personal supports.

This form of funding is often mistakenly thought of as an income program because of the provision of funds directly to individuals in need. But while the monies are paid directly to individuals, their primary purpose is to enable the purchase of disability-related aids, equipment and supports.

New Hope: The Canada Disability Benefit

Despite the multiple challenges in current disability income programs, there is hope on the horizon. The 2020 Throne Speech announced the federal government's intention to introduce a Canada Disability Benefit (CDB).

The disability community has long called for improvements to disability income programs. The new benefit is intended to assist the hundreds of thousands of Canadians with disabilities who currently live in poverty.

Since the Throne Speech announcement, work had been under way to pass the required legislation and begin the design of the new benefit. Bill C-22, *The Canada Disability Benefit Act*, passed third reading in the House of Commons in January 2023. The bill subsequently passed third reading in the Senate in May and was sent back to the House of Commons with six proposed amendments.

One of the Senate amendments sought to ensure that the new federal benefit would not be used by provinces and insurance companies as a reason to claw back existing support programs. Another amendment was concerned with the timelines for the government to introduce the associated regulations, which will determine eligibility for and the amount of the new benefit.

On June 14, 2023, the Minister announced that the government would be accepting five of the proposed recommendations. It questioned whether the proposed amendment regarding the clawback provisions would be considered constitutionally possible. https://globe2go.pressreader.com/the-globe-and-mail-ontario-edition/20230615 On June 20, 2023, Bill C-22 was passed by the House of

Commons without the clawback amendment.

In order to understand what the future CDB might look like (bearing in mind that the details have not yet been announced), it is helpful to consider the design of the GIS and its relative strengths and weaknesses. There may be some important lessons to learn and apply. Outlined below is a brief assessment based on the key principles earlier discussed.

The GIS is intended to offset basic costs, such as food, housing and utilities. Various federal, provincial /territorial, community and private programs help pay for the additional costs that older Canadians may incur for medication, technical aids and equipment, and services.

As noted earlier, the GIS is not a stand-alone program. It was designed to pair with the Old Age Security (OAS) benefit, which is paid to all Canadians aged 65 and over. The OAS design includes a clawback, which means that beneficiaries with income that exceeds a level will see their OAS cheque reduced or withdrawn entirely.

In association with the OAS, the GIS closes the gap between current income from various sources and a designated amount deemed as a minimum for a decent standard of living. Payments vary by income level and marital status of the recipient.

The GIS is an income-tested program. It uses level of net income to determine who can qualify for the benefit. Income-tested programs also use net income to determine how much eligible applicants will receive. At a higher designated threshold, the benefit phases out entirely.

Eligible applicants no longer qualify for assistance when their income from various sources is considered too high.

It should be noted that the CDB could have been modelled on a different design: as a social insurance, demogrant or needs-tested program. Fortunately, income-tested programs have unique advantages:

- they do not require work history or contributions
- they do not count assets in determining eligibility of benefit levels
- their benefit payments go up when other sources of income go down
- they are administratively simple and non-stigmatizing
- they are not taxed: what you see is what you get

Moreover, a federally-run program means that the benefits are portable. They are delivered on a consistent and equitable basis anywhere in the country. Recipients retain their benefits if they move to a different province or territory.

Because of the lack of details, it is difficult to provide an in-depth assessment of this new benefit. However, the challenges related to eligibility, coherence, adequacy, disability supports and disincentives raise some key considerations worth flagging.

i. Eligibility

Clear eligibility criteria for the new benefit will need to be designed. If the new CDB employs the GIS design, the current landscape of disability income programs would remain intact. These include the Canada/Quebec Pension Plan Disability Benefit, Quebec Basic Income Program, private disability insurance plans, veterans' disability benefits, Workers' Compensation and social assistance. The existing eligibility criteria for these programs, along with their associated benefits and rules, would stay in place.

Presumably, the CDB would ensure that total incomes from all sources would match the amount paid by the GIS combined with the OAS. The new benefit would supplement incomes up to a similar level. It will also replace income entirely if an individual has no earnings, savings or income from private sources or programs. Either way, the CDB should guarantee that no person with a disability in Canada lives in poverty.

The GIS requires that applicants be age 65 or over. The CDB will likely be made available for people between ages 18 and 64. Eligibility for all income programs in Canada typically ends at age 65 – at which time individuals are transferred to the retirement income system.

One consideration is to ensure CDB eligibility until age 65 for those with permanent, chronic or episodic conditions, as is the case for the BIP [Ragot 2023]. This guarantee would relieve the need for recipients to requalify continually. However, the DTC makes a distinction between applicants considered temporarily eligible for the DTC and those accepted on a permanent basis, which may create a problem for continued CDB eligibility.

Children under 18 would not be eligible for the CDB in their own right. Their families may qualify, however, for the Child Disability Benefit. In 2023, it pays up to a maximum annual $2,985 for each child who is eligible for the DTC. These families also receive a monthly payment under the Canada Child Benefit. The new Basic Income Program in Quebec pays a benefit to families on behalf of children up to age 18.

While the CDB may target individuals of working age, it should not require applicants to have made work-related contributions. Income-tested programs (other than the earlier-mentioned Canada Workers Benefit) typically base eligibility on net income from various sources and not on labour market participation.

Given that the CDB will be geared only toward people with disabilities, a disability screen will be required if new eligibility criteria are to be created over the long-term. In fact, new criteria will need to be developed for applicants who don't currently qualify for any of the above programs.

Bill C-22 introducing the Canada Disability Benefit calls for use of the *Accessible Canada Act* definition of disability:

> Disability means any impairment, including a physical, mental, intellectual, cognitive, learning, communication or sensory impairment — or a functional limitation — whether permanent, temporary or episodic in nature, or evident or not, that, in interaction with a barrier, hinders a person's full and equal participation in society.

As a starting point, the eligibility criteria that had been employed for the federal COVID disability payment could be the basic minimum. The DTC, C/QPP-D and Veterans' disability benefits could be the first-stage gateway to the CDB.

Ideally, the eligibility criteria will be even broader to include recipients of social assistance. At the very least, their low incomes would be supplemented by the new program. At best, long-term social assistance would be dismantled and replaced by the new program.

One final lesson from the GIS. While its eligibility criteria are fairly straightforward, many Canadians require assistance to apply for this program. All application forms create barriers for people with literacy or language challenges.

There are additional accessibility barriers for persons with disabilities. Programs have been set up in communities to assist people in applying for the GIS. The same will likely be needed for the CDB. Rules and administrative procedures will need to be fully accessible to people with low literacy, learning difficulties, or persons who do not use technology.

Complex and costly application requirements must be minimized for all Canadians with disabilities, and especially for those already marginalized. Indigenous Peoples must be actively engaged in helping members of their respective communities complete the application forms for the new benefit.

Finally, people whose legal capacity to manage their financial affairs independently should not be forced into guardianship to receive the new benefit. Supported approaches to financial decision-making will need to be in place with provinces and territories to guard against this practice. https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/disability-advisory-committee/2022-full-report.html

ii. Coherence

Considerable design work will be required to determine how the CDB will relate to other existing benefits. Because the federal government is expected to keep in place the various pieces of the disability income system, it will be essential to determine the relationships between and among all these programs.

There are questions, for example, as to the future status of the grant and bond components of the Registered Disability Savings Plan. Will these forms of financial assistance remain intact if the CDB intended for the same population is introduced?

The federal government could decide to add a modest amount to the basic CDB in respect of the additional, hard-to-itemize costs of disability. This provision potentially could change the role of the disability tax credit (DTC), which currently provides that recognition.

On the one hand, the provision of an extra amount in respect of non-itemizable costs would be positive in that it would include people whose incomes are too low to pay income tax. They are currently left out of the DTC.

At the same time, it is important to recognize that 60% of DTC clients are either under the age of 18 (the DTC is claimed on their behalf by their parents) or over age 65. They potentially would lose out if the DTC were significantly modified or dismantled [Disability Advisory Committee 2022].

Finally, as noted, it will be essential for the federal government to ensure that the value of the CDB is protected and not clawed back by any of these other programs, especially social assistance administered by provinces and territories. Multiple programs must work in tandem and not offset each other. The CDB should not simply shift program administration and associated costs.

Bottom line: The primary purpose of the CDB is to ensure that people with disabilities are better off financially than they were prior to the introduction of this new program.

iii. Adequacy

In association with the Old Age Security (OAS) program, the GIS closes the gap between current income from various sources and a designated amount deemed as a minimum for a decent standard of living. Payments vary by income level and marital status of the recipient.

From October to December 2023, the GIS paid a maximum monthly payment of $1,847.69 – or $22,172 a year – to recipients who are single, widowed or divorced. GIS amounts vary by family type, income and age (it is higher for recipients aged 75 and over). The monthly GIS amounts will change throughout the year due to the quarterly indexation of these benefits to the Consumer Price Index.

Whatever the design of the new Canada Disability Benefit, it will be essential to ensure that this new measure makes a significant dent in poverty. For far too long and for far too many Canadians, disability has meant certain poverty. Now is the time to break that link.