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Dismantling the Welfare Wall for Persons with Disabilities

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INTRODUCTION

The purpose of this paper is to describe the concept of the welfare wall and to explore its application to persons with disabilities. The ‘welfare wall’ refers to a cluster of factors that together act to trap people on social assistance (commonly known as ‘welfare’) and make it difficult for them to move off that program of income support, if they so choose.

The report first sets out a brief description of the disability income system in Canada. This description helps situate welfare within the broader spectrum of income security programs in the country. The paper then explores social assistance and explains the notion of the welfare wall and its relevance to disability, in particular. Finally, it sets out key policy prescriptions for breaking down the welfare wall that would reduce, if not eliminate, significant barriers to labour market engagement for persons with disabilities.

This report was undertaken at the request of the pan-Canadian Centre for Research on Work Disability Policy (CRWDP). Because the work was conducted on behalf of the Ontario cluster, the examples presented in this paper focus primarily upon that jurisdiction.

DISABILITY EMPLOYMENT POLICY

Here’s the nub of the problem. The welfare wall explored in this report would not present such a challenge if there were brighter employment prospects for persons with disabilities. There would be less need to rely on Canada’s programs of income support and less concern about the welfare wall if individuals who wanted to work had more access to employment opportunities and associated independence. But this is not the case.

When it comes to income security, paid employment has always acted as the first line of defence. Income programs come into play when wages from work are either too low or erratic. Unfortunately, far too many Canadians with disabilities are unemployed or underemployed.

Close to 10 percent of the working-age population between 15 and 64 years, representing 2.3 million Canadians in this age group, report a disability. About half of working-age adults with disabilities are outside the labour force (1.15 million), while others who are in the labour force are employed (1.05 million) or unemployed (125,700) [Till et al. 2015].

The unemployment rate for persons with disabilities is almost twice the rate of Canadians without disabilities. In 2011, the unemployment rate of individuals ages 25 to 64 with disabilities was 11 percent, compared with 6 percent for those who did not report having a disability. The participation rate – i.e., the percentage of the population employed or seeking employment – was 55 percent for persons with disabilities, compared with 84 percent for persons without disabilities [Till et al. 2015].

Not surprisingly, the labour force status of 15- to 64-year-olds with disabilities differs significantly by severity of the condition. Most Canadians with severe and prolonged disabilities have a tenuous or episodic attachment to the paid labour force. Those who work typically earn low or modest wages in often insecure jobs, and often have nowhere to turn but welfare for support. While 65 percent of those with moderate disabilities stated that they were employed, this was the case for only 41 percent of those with severe disabilities and 26 percent of persons with very severe disabilities [Statistics Canada 2012].

Even in the face of this overwhelming evidence, there is no definitive or well-articulated work disability policy in Canada. A policy implies a set of systematic and consistent procedures that can be clearly identified and described. Stated principles and guidelines are set out in order to reach desired objectives.

The presence of a policy typically involves a commonly accepted or understood set of procedures, which are often made public on a website, in a booklet or in some other widely accessible format. Anyone involved with that system – whether as user or provider – can readily describe how the processes work. They can articulate the nature of the good or service, the eligibility criteria to qualify for those provisions, the application procedures, and the associated expectations or requirements.

This is not the case when it comes to work disability policy. Unfortunately, there are no such distinctly defined provisions within the diverse set of programs and measures that comprise the work disability landscape. Rather, there are several major streams into which individuals fall depending upon their relationship – in, temporarily out or none at all – with the paid labour market [Torjman and Makhoul 2016: 5].

The work disability policy ‘system’ (the term is used advisedly) consists of various programs and services whose purpose is to enable persons with disabilities to find a job, maintain their employment or re-enter the labour market. Engaging with the work disability system also depends, in some jurisdictions, on the nature of the disabling condition. For example, special vocational programs exist in some provinces for persons with developmental disabilities.

There have been calls for years for the federal government to assume a more active leadership role by formulating a national employment strategy for persons with disabilities [Prince 2016]. A disability employment strategy should set clear objectives and benchmarks for success, including target employment and wage rates. It should require regular public progress reports.

Fortunately, significant announcements in the 2017 federal Budget will help change the policy landscape to some extent – at least from a training and work readiness perspective. Most welcome is the Budget’s commitment to dismantle the Canada Job Fund introduced by the previous government. Budget 2017 promised to return to cooperative federal-provincial/territorial development of skills and training programs while restoring greater flexibility for individual jurisdictions [Torjman, Mendelson and Battle 2017].

The new arrangement will replace a confusing array of separate federal-provincial/territorial programs – Canada Job Fund Agreements, Labour Market Agreements for Persons with Disabilities and the Targeted Initiative for Older Workers. These former arrangements will be consolidated under a single Workforce Development Agreement with an increase in total expenditures by \$900 million over the next six years.

The Canada Job Fund had seen almost all federal support for vulnerable unemployed and underemployed Canadians replaced by subsidies to companies for upgrading the skills of currently employed workers. Yet many of these companies had already been delivering training at their own expense. The expectation is that the new Workforce Development Agreements will provide training and skills development better attuned to the needs of the workforce and the labour market and, ideally, will fit better with training efforts currently under way.

But while training is vital, it is not sufficient. There must be real employment opportunities as well. In the absence of sufficient and suitable paid employment, Canada requires a more adequate system of income security. The disability income system comes into play when an individual has had to leave the labour market or was unable to join it in the first place because of a disabling condition.

DISABILITY INCOME SYSTEM

The disability income system is a loose collection of programs that were designed for distinct purposes. That structure would not actually be a bad thing if at least all the pieces worked well together.

Eligibility for most programs is determined by where and how claimants became disabled and by the nature and severity of their disability. The programs operate as though they are discrete points along a continuum rather than a set of linked efforts that respond effectively in the event of changing circumstances, such as a deterioration in condition or reduction in market participation.

Three main categories of programs comprise the disability income system. There is a first set of programs whose primary purpose is to provide *compensation* for accident or injury. A second category of *social insurance* programs replaces lost earnings. A third group of programs, known as social assistance or welfare, acts as a *safety net* by paying income support to individuals with few or no earnings from work [Torjman 2017]. Each of these three main categories is described below.

Canada's income programs together serve several main purposes – earnings replacement, income supplementation and income support. The major disability income programs fall into one of these three categories. There is a fourth purpose served by some disability-related programs in particular: to compensate for the effects of disability or injury related to specific causes or events.

Some programs replace employment earnings for those out of work. Social insurances include Employment Insurance (which pays a sickness benefit), the Canada and Québec Pension Plans (which pays 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.

But for most Canadians with disabilities, the promise of the social security system far exceeds its performance, especially for persons with severe impairment. Many cannot qualify for disability-related public or private insurance programs because the eligibility criteria require employment or the programs are delivered as a workplace benefit. As noted, many people with disabilities – especially those with severe conditions – have a tenuous or no attachment to the paid labour market.

As a result, thousands of individuals with serious disabilities end up on welfare – the leanest and most archaic of Canada's social programs. Many recipients inadvertently become trapped behind the welfare wall because it is their chief source of income and often the only route to disability supports.

i. Compensation programs

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

But the main players within this category of disability programs are provincial/territorial Workers' Compensation, funded by employers. The purpose of this program is to compensate injured employees for the effects of an accident that occurred at work or ill health linked directly to conditions within the workplace. Employees are not eligible for compensation if their injury or disabling condition cannot be linked directly to their workplace.

Unfortunately, many beneficiaries of Workers' Compensation have reported (what appears to be) increased pressure in recent years to return to work. Some are getting reinjured, with the result that they are unable to work at all and end up on provincial/territorial welfare. Many face family breakdown and other major losses, including their primary residence because of serious decline in the stability and level of their income. These are troubling developments.

ii. Social insurances

Social insurances represent the second category of disability income programs and are funded primarily by employer and employee 'contributions' (i.e., payments). These programs are considered social insurances because workers contribute to these programs for income protection in the event that they experience a designated social risk – in this case, loss of job or loss of ability to work because of a short-term illness or long-term disability.

Contributions to these programs are compulsory and are deducted from payroll; self-employed workers make double contributions to the Canada/Québec Pension Plan. In terms of disability, Employment Insurance covers short-term absences from work due to short-term illness. The Canada Pension Plan and twin Québec Pension Plan provide financial assistance in the event of disability that is severe and prolonged.

These social insurances are not adequately meeting the needs of Canadians with disabilities. These measures protect only those who have made the required contributions – a subset of the broader population of persons with disabilities. There are other eligibility problems specific to these two programs.

a. Employment Insurance

Employment Insurance 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 they are available for and are actively looking for work, they cannot find a job. Unemployed persons 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.

The number of hours of insurable employment required to qualify for EI depends on the worker's circumstances. For most people, the basic rate for calculating EI benefits is 55 percent of their average insurable weekly earnings, up to a designated maximum. As of January 1, 2017, the maximum yearly insurable earnings amount is \$51,300. Recipients can receive a maximum \$543 per week in 2017 for 14 to 45 weeks, depending on the unemployment rate in their region and their work history.

In addition to regular benefits, Employment Insurance provides a range of special benefits for certain purposes, such as sickness, parental leave and compassionate care. The EI sickness benefit is of particular concern for this study due to its links to disability.

Because the Employment Insurance sickness benefit is paid for only a maximum 15 weeks, it is not sufficient to cover many conditions. The benefit needs to provide longer coverage and do a better job of responding to health- and population-related developments. These include the rising incidence of chronic illnesses, such as cancer, diabetes and cardiovascular problems, and episodic conditions, such as multiple sclerosis and asthma. Episodic conditions involve symptoms that come and go, and may require frequent work absences.

But workers whose 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 effectively prevent workforce participation – other than a 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 are effectively insuring for two different circumstances.

There is another problem in the income security system intended for sickness and moderate disability. Most income programs expect applicants to be either in or out of the labour market. But many conditions have periods of remission during which people are able to work. They require interim or periodic financial assistance.

Neither Employment Insurance nor the Canada Pension Plan provides income protection for medium-term illnesses and moderate disabilities. A new medium income benefit could be reconfigured through one of three policy options: an extended EI sickness benefit, a partial disabilities benefit within the CPP disability program or a distinct new program that bridges EI sickness and CPP disability [Prince 2008]. A new intermediate category of impairment would recognize disabilities that are significant and cyclical or recurrent and not just prolonged and continuous.

b. Canada Pension Plan disability benefit

The Canada Pension Plan (CPP) disability benefit 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. “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.

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. In 2017, the maximum monthly benefit is \$1,314; the average monthly benefit for new beneficiaries is \$947.37 so far this year. At age 65, beneficiaries stop receiving the monthly CPP disability benefit and begin getting the CPP retirement pension.

CPP beneficiaries can work and earn up to a maximum amount in a year (in 2017, \$5,500 in gross income before taxes) without having to report these earnings. This amount is not a point at which payments stop but rather a benchmark to determine whether recipients would benefit from additional support that may help them continue working.

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

As of 1 May 2015, the Department determined that about one third of the cases it further reviewed met the eligibility requirements for the benefit, although these cases had been previously denied twice. In our opinion, this calls into

question the appropriateness of the initial and reconsideration decisions, and supports our previous observation about the lack of quality assurance and its implications for applicants. Moreover, in our review of appeal files in which the Department had overturned previous denials, we found that most did not contain significant new information [Office of the Auditor General 2015: 6.102].

The eligibility obstacles to these social insurances and their limited coverage have resulted in the “welfareization” of the disability income system [Stapleton 2013]. In 2016, there were 632,269 Canadians on welfare who were in a designated disability stream.¹ The actual figure is higher because some jurisdictions, notably Newfoundland and Labrador, Nova Scotia, Manitoba and the territories, do not provide breakdowns of “reasons for assistance” [Caledon Institute 2017].

iii. Social assistance

Social assistance (commonly known as welfare) is the major social safety net in the country. The primary purpose of welfare is to act as the program of last resort for individuals with no other means of financial support. It comes into play when all personal resources, including other income security benefits and assets, have been exhausted.

While welfare is often referred to as a single program, it actually is 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 – and the same strengths and shortcomings. Applicants for social assistance must first qualify on the basis of criteria set out in the provincial/territorial program (e.g., full-time students are not eligible).

They must then qualify for financial aid on the basis of a ‘needs test,’ a detailed assessment that takes into account three main factors: type and level of household assets, household income and household needs.

In terms of assets, the needs test inquires into the value of liquid assets, such as cash or cash-convertible assets like Canada Savings Bonds, which may be available to the household. It also asks about the level of fixed assets, such as personal property. Both liquid and fixed assets must not exceed designated levels.

Each jurisdiction also sets out lists of liquid and fixed assets that it considers exempt – i.e., the value of these assets is not included in the calculation of resources deemed available for support. For the purpose of determining eligibility, social assistance programs typically exempt the value of and proceeds from savings plans designated for educational purposes, notably Registered Education Savings Plans (RESPs), the Canada Education Savings Grant and the Canada Learning Bond. However, these are counted as available assets if the student named in the plan decides to pursue post-secondary education.

All jurisdictions allow the Registered Disability Savings Plan to be fully or partially exempt when calculating the needs test. Most provinces and territories also ignore assets, such as a car (sometimes up to a designated maximum), if required for work transportation or the value of employment-related tools and equipment.

For the income component of the budget deficit calculation, welfare counts both earned income in the form of salaries and wages, and unearned income, such as Workers’ Compensation and child support payments. Because welfare is considered the income program of last resort, applicants are expected to make reasonable efforts to pursue any and all available resources, such as student aid, child support, disability insurance or parental contribution. Assistance may be reduced or denied if the administrator is not satisfied that these efforts are adequate.

Finally, the needs test takes into account basic living costs and personal circumstances that affect financial status, such as numbers of dependants or disability-related costs. The difference between applicants' assessed needs and available resources in the form of income and assets is then determined. Applicants are considered eligible for social assistance if they have a 'budget deficit' – i.e., their assessed needs exceed their available assets and income.

Rates of welfare assistance take into account numerous factors related to the household. These include age of household members, size and type of family (i.e., single individual, single-parent, two-parent or childless couple), head of household employability, housing requirements and other factors, such as the presence of a disabling condition. Despite wide differences in welfare programs throughout the country, they all pay a benefit that consists of two components: basic assistance and special assistance.

Basic assistance covers essential living costs such as food, clothing and shelter, which apply to all recipients. The amount of assistance varies by number of family members and other factors, such as health status and employability.

Recipients considered employable generally receive lower benefits than those deemed unemployable – typically persons with severe and prolonged disabilities. The higher payment in respect of disability helps recognize that persons with severe disabilities often face barriers in their ability to earn an adequate and sustained income through employment. They are also more likely to incur additional disability-related costs.

While most jurisdictions provide slightly higher benefits for persons with disabilities, several provinces operate an entirely separate program within their welfare stream. Ontario runs the Ontario Disability Support Program, Saskatchewan operates the Saskatchewan Assured Income for Disability and Alberta has the Assured Income for the Severely Handicapped (AISH) program.

Welfare 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 welfare benefits. The allowable amounts are known as 'earnings exemptions.'

Special assistance is paid in respect of exceptional or additional needs, such as certain health requirements, dental care, medications or disability-related expenses. Coverage of these additional costs is actually a positive feature of welfare in that the special assistance can represent hundreds or even thousands of dollars for households with high needs. At the same time, this positive feature can often make it difficult for recipients to move off welfare and into the paid labour market. This Catch-22 is discussed in the next section on the welfare wall.

An important hallmark of welfare is that it allows significant administrative discretion. A designated administrator is permitted to make exceptions to the myriad rules in the event of special circumstances. Virtually every conclusion comes with a caveat that administrative discretion can be applied in determining eligibility and amount of financial assistance – at once both the strength and weakness of that income program.

IDENTIFYING THE WELFARE WALL

If welfare is such a problematic program, why then is it so difficult to get off? Why are so many recipients seemingly trapped on that program?

For years, the (now-defunct) National Council of Welfare had written about the problems embedded in social assistance. But a more formal study subsequently helped to identify 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 in that province. More specifically, the task was to analyze the impact of direct and indirect taxes imposed on Ontario welfare recipients who have some earnings from paid work.

The Caledon study examined 11 household types, including single employable persons and single persons with disabilities as well as single-parent families and one-earner couples with children of varying ages. The research tracked what happened to these households at every \$1,000 increment of earnings.

The study found that welfare recipients who supplement their benefits by working get to keep only a very small fraction of these earnings. While disposable income rises steadily with increased earnings from work for all households, the net gain is marginal. ‘Disposable income’ refers to total income from welfare, work, child benefits, and federal and provincial refundable tax credits, minus payroll taxes and federal and provincial income taxes [Battle and Torjman 1993b].

Single welfare recipients considered employable, for example, could increase their work earnings by 1,200 percent (from \$1,000 to \$13,000 in earnings) but end up with only a 25 percent increase in disposable income. For single-parent welfare recipients with one child age 2, a 2,500 percent rise in earnings from \$1,000 to \$26,000 was able to net only a 32 percent gain in disposable income. For two-earner couples with two children ages 3 and 5, a 3,100 percent gain in earnings between \$1,000 and \$32,000 yielded a mere 26 percent increase in disposable income.

The study disaggregated the complex interplay of factors that were responsible for producing these results. It found that welfare recipients pay back to government most of their employable earnings, mainly through a mechanism known as the ‘welfare taxback’ – i.e., the amount by which welfare benefits are reduced when recipients work for pay. They lose one dollar of welfare assistance for every dollar of earnings above a designated amount or earnings exemption, which varies by province and territory.

But the disposable income of these households also declined as a result of income and payroll taxes that must be paid as well as a reduction in refundable tax credits. Social assistance recipients who return to work must start paying income tax on their earnings (the taxpaying threshold varies from one jurisdiction to another) along with payroll taxes in the form of Employment Insurance premiums and Canada/Québec Pension Plan contributions.

Finally, these households may face work-related expenses such as clothing, transportation, child care, tools and equipment. For welfare recipients entering or re-entering the labour market, these multiple factors mean that the cost of working can be very high.

Indirect taxes refer to the amount of government benefits that welfare recipients lose by virtue of their increased income through paid work. The value of the federal Canada Child Benefit and the refundable GST credit, for example, is determined by net income. The higher the net income of the household, the lower the value of these measures. Beyond a certain level of income, households no longer are eligible for these credits. The same holds true for provinces and territories that provide refundable tax credits – such as the Ontario sales and property tax credits, which are now part of the Ontario Trillium Benefit.

The welfare system’s provision of labour market supports – such as affordable child care, assistance with the cost of employment-related expenses, and educational and training opportunities – adds to the height of the welfare wall and makes it difficult for many recipients to leave or stay off social assistance. Another disincentive to work is the potential loss of ‘income-in-kind,’ such as supplementary health and dental benefits.

The Caledon Institute coined the term ‘welfare wall’ to represent this multifaceted dynamic because all the graphs of the interaction between the welfare and income tax systems came out looking like a wall over which it would be almost impossible to climb. The expression welfare wall subsequently became shorthand for the fact that most recipients end up worse off financially if they leave social assistance for the paid workforce.

REMOVING THE BRICKS IN THE WELFARE WALL

Despite the fact that the study was undertaken on behalf of the Ontario Fair Tax Commission, it concluded that the welfare wall problem would not be most effectively tackled just through tax changes. Major reforms to welfare, rather than income tax, would generate the largest increase in the disposable income of welfare recipients who have some employment earnings. The welfare taxback represents, by far, the greatest component of the overall tax burden for welfare households [Battle and Torjman 1993a].

However, the study found that options focused solely upon reducing the welfare taxback by allowing recipients to keep more of their work earnings may create unintended and undesirable effects. The change inadvertently could make social assistance a more attractive alternative than paid work for certain households.

This problem can be addressed in several ways or through a combination of measures. First, some form of wage supplementation would help ensure that paid work is always a more attractive option than social assistance. Another measure could involve the extension of income-in-kind, such as disability supports to working poor as well as to welfare families. A major disincentive to leaving the welfare system thereby would be removed. These options are discussed below.

But while modest changes to welfare are important, they basically would leave in place a seriously flawed income program. It is not adequate in amount. It is rule-bound and relies on administrative discretion. It involves monitoring and reporting. It takes back much of what recipients are able to earn.

A more robust reform, which involves dismantling welfare and replacing it by more adequate forms of income support, would be preferable. There is a need for a restructured architecture of income security in which constituent programs are adequate in both absolute and relative (i.e., indexed to inflation) terms, portable across the country and respectful of human dignity.

Removing the bricks in the welfare wall could become the foundation for dismantling welfare piece by piece. It can be replaced by more adequate forms of income programs and services, such as a basic income for persons with disabilities and extended health coverage for all working poor households. A key task is to reform the disability component of welfare.

RECOGNIZING THE LIMITATIONS OF WELFARE

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

In terms of benefit levels in particular, the most effective way to assess the adequacy of any income program is to compare it to a recognized baseline or standard measure and then determine how far the payment diverts from that measure. When it comes to welfare adequacy, there is no single or commonly accepted

baseline but rather several measures that typically are used for comparative purposes. They fall into one of two groups: poverty measures and income measures.

Over the years, the *Welfare in Canada* reports have used two major poverty measures as comparators: the low income cut-offs and the market basket measure. In terms of income measures, the adequacy of welfare incomes is assessed relative to both after-tax average incomes and after-tax median incomes.

Welfare incomes in all jurisdictions fall below poverty levels – no matter what standard comparator is used. Table 1 shows welfare incomes relative to the after-tax low income cut-offs (LICOS). The territories are not included in these calculations because the LICOs do not apply north of 60.

Welfare incomes for single persons with disabilities ranged from 49.0 percent of the poverty line in Alberta to 69.8 percent in Ontario [Tweddle, Battle and Torjman 2016: 40-42]. Individuals receiving benefits under the Saskatchewan Assured Income for Disability (SAID) and the Assured Income for the Severely Handicapped (AISH) program in Alberta fared far better, receiving benefits worth 89.3 percent and 95.5 percent of the after tax low income cut-off, respectively. Figures are for 2015, the latest available data.

<i>Province</i>	<i>Total welfare incomes</i>	<i>2015 LICO</i>	<i>Poverty gap</i>	<i>Welfare incomes as % of LICO</i>
NL	\$11,188	\$17,240	-\$6,052	64.9%
PE	\$9,989	\$17,025	-\$7,036	58.7%
NS	\$10,018	\$17,240	-\$7,222	58.1%
NB	\$9,528	\$17,240	-\$7,712	55.3%
QC	\$12,510	\$20,386	-\$7,876	61.4%
ON	\$14,239	\$20,386	-\$6,147	69.8%
MB	\$10,940	\$20,386	\$9,446	53.7%
SK	\$11,358	\$17,240	-\$5,882	65.9%
SK – SAID	\$15,403	\$17,240	-\$1,837	89.3%
AB	\$9,997	\$20,386	-\$10,389	49.0%
AB – AISH	\$19,468	\$20,386	-\$918	95.5%
BC	\$11,416	\$20,386	-\$8,970	56.0%

Welfare incomes are also inadequate when measured against various income measures. Table 2 shows welfare incomes for persons with disabilities as a percentage of after-tax average incomes in Canada [Tweddle, Battle and Torjman 2016: 45-47]. Figures are for 2015, the latest available data.

<i>Province</i>	<i>Total welfare incomes</i>	<i>Estimated after-tax average incomes</i>	<i>Welfare incomes as % of after-tax average incomes</i>
NL	\$11,188	\$33,970	32.9%
PE	\$9,989	\$30,229	33.0%
NS	\$10,018	\$29,825	33.6%
NB	\$9,528	\$32,352	29.5%
QC	\$12,510	\$31,644	39.5%
ON	\$14,239	\$34,071	41.8%
MB	\$10,940	\$35,082	31.2%
SK	\$11,358	\$40,238	28.2%
SK – SAID	\$15,403	\$40,238	38.3%
AB	\$9,997	\$45,495	22.0%
AB – AISH	\$19,468	\$45,495	42.8%
BC	\$11,416	\$34,374	33.2%

No matter what comparator is used, the bottom line is that recipients of welfare live in poverty. The following is a poignant description of life on the Ontario Disability Support Program, recently published as an op ed in the *Toronto Star* [Ries with Abbas 2017].

Each province has its own disability benefits program and the rates and benefits vary. In Ontario, a single adult on disability benefits can receive a base rate of up to \$1,128 a month through the Ontario Disability Support Program (ODSP) as well as support for drug, dental and disability related costs. Sounds OK at first glance – until you look at the cost of living.

In Ontario, this monthly living allowance amount doesn't go far. The average rent for a bachelor apartment in Ontario is \$856 per month, according to the Canada Mortgage and Housing Corporation. The average cost of food per month for an individual is \$511. So without even considering transportation, telephone and other basic living costs, it's evident that government support is not an adequate means of subsistence.

Many essentials for living cannot be attained on the funds the government provides those with disabilities. This means some of their basic needs – safe and accessible housing, clothing, recreational expenses, fee-for-service related disability supports, nutritious food, transportation and accessibility-related costs – go unmet.

If nothing else, social assistance benefits for persons with severe disabilities should be bolstered and indexed to improve adequacy. But while such a change would improve the quality of life, it would only make it more difficult to scale the welfare wall. Individuals with disabilities should not have to rely on this last-resort program at all. It makes no sense to be on welfare to get access to disability supports that are vital for daily living. Improving welfare might be helpful in the short term but does nothing to rectify its fundamental flaws.

A preferable option would be a separate income program for persons with disabilities that ideally would be financed and administered by the federal government. Ontario announced in April 2017 that it is introducing a three-year Basic Income pilot in three selected communities across the province.

In the meantime, a significant step toward breaking down the welfare wall is to ensure that people are better off working than on welfare. One way to achieve this goal is to bolster low earnings. The current Working Income Tax Benefit is an important lever for this purpose.

ENHANCING THE WORKING INCOME TAX BENEFIT

The Working Income Tax Benefit (WITB) was introduced in the 2007 federal Budget. The measure has two key purposes [Battle and Torjman 2012].

First, the Working Income Tax Benefit seeks to lower the welfare wall by supplementing low earnings from employment to ‘help make work pay.’ The WITB assists welfare recipients make the difficult transition from social assistance to paid work by topping up their typically low earnings.

The second core purpose of the Working Income Tax Benefit is to increase incentives for people to join the workforce, keep working (even for low earnings) and never have to fall back onto the tangled safety net of welfare. Some of these workers eventually will be able to climb the earnings ladder and escape poverty.

In reality, however, the Working Income Tax Benefit is far too modest to significantly raise low earnings. Moreover, its narrowly targeted design leaves out significant numbers of working poor singles, in particular.

The Working Income Tax Benefit sits in 2017 at a meagre annual maximum \$1,042 for a single worker and \$1,894 for a family. Claimants must have a minimum \$3,000 in earned income. The level at which WITB ends, known as its ‘cut-off point,’ is so low (\$18,785 for a single worker and \$28,975 for a family in 2017) that single minimum-wage workers in Ontario, for example, earn too much to qualify for the program. This is a serious weakness that needs to be addressed.

On the plus side, the Working Income Tax Benefit is indexed to the cost of living and also pays a disability supplement of \$521 in 2017. Moreover, the provinces and territories are allowed to vary the design of their WITB in order to harmonize it with their own income security systems – i.e., social assistance, minimum wage and tax credits. So far, four jurisdictions – Québec, Alberta, British Columbia and Nunavut – have taken up this federal offer.

The Working Income Tax Benefit needs a healthy, multi-year injection of funds before it can help break down the welfare wall and act as a true incentive to work. But at least a solid foundation is in place. The federal government could build the WITB into a much more powerful instrument, both in terms of increasing benefits and extending the program higher up the income scale.

A modest improvement to the Working Income Tax Benefit was, in fact, announced in Budget 2017. The enhancement will help offset increases to Canada Pension Plan contributions recently introduced by the federal government to bolster retirement benefits in the country.²

ENSURING A MORE ADEQUATE APPROACH TO INCOME SECURITY

A new disability income program would replace provincial/territorial welfare for working age persons with severe disabilities [Mendelson, Battle, Torjman and Lightman 2010]. A federal benefit would cover the entire country and would be portable between jurisdictions. Someone with a severely disabling condition may

want to move closer to family members or friends in order to have an informal network of support. A provincially or territorially delivered benefit is made available only in that jurisdiction. That is not the case with a federal program, which covers the entire country.

The design of the basic guarantee for persons with severe disabilities could be modelled on the federal Guaranteed Income Supplement for low-income seniors. The new benefit would be more adequate than current welfare programs. The Guaranteed Income Supplement on which the proposal is modelled is indexed on a quarterly basis. The proposed disability income program would also be indexed to ensure that it retains its real value over time.

Of course, rigorous eligibility criteria for the new benefit would need to be designed. Eligibility criteria could combine elements of the Canada Pension Plan disability benefit and the Disability Tax Credit, described below. The Canada Pension Plan disability benefit has a work or capacity-to-earn test. The Disability Tax Credit, by contrast, requires the presence of functional impairment in designated areas of daily living but has no work requirement.

Perhaps the greatest advantage of the proposed new measure is that it would be designed as an income-tested benefit. All of Canada's major income security programs, including the new Canada Child Benefit, the trio of federal benefits for seniors (Old Age Security, the Guaranteed Income Supplement and the Allowance) and the refundable Goods and Services Tax credit, are delivered on an income-tested basis.

Income-tested programs have numerous advantages. They are objective in their eligibility criteria (i.e., amount of net income), administratively simple and non-stigmatizing. Eligibility can be established easily through the income tax form, as is the case with the Canada Child Benefit and the GST credit. Eligibility decisions are made on the basis of objective facts rather than a detailed assessment of personal circumstances.

Income-testing means that eligibility for benefits is determined by level of income. By contrast, extensive information must be provided in order to qualify for needs-tested programs. 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 by computer. Benefits can be delivered on a consistent and equitable basis throughout the country. There is little or no contact between recipients and government officials.

With income-tested programs, households whose net incomes fall below a designated threshold receive the maximum benefit. Above the specified threshold, payments are reduced as household income increases. The amount by which benefits are reduced is known as the 'reduction rate' and varies by income program. Benefits end entirely when net incomes exceed a designated amount, known as the 'cut-off point.'

As with other income-tested programs, the payment of the proposed new disability income program would not be taxed. An income-tested program effectively applies the taxation before the fact (i.e., before the payment is made) rather than after the payment is made and deductions are applied. When it comes to the delivery of income benefits, the income tax system is an elegant pan-Canadian mechanism [Torjman 2015]. It does a good job of reaching the vast majority of eligible Canadians and does not require the assessment of assets and needs.

Because eligibility for welfare is based on level of net income, there is no penalty if an individual receives a gift or some modest assistance from a family member to help pay for the basics that welfare does not cover. By contrast, the liquid asset exemptions of welfare impose limits on the additional income that individuals can have, even if these small amounts make their lives healthier and safer.

A person on disability benefits is only able to hold a limit of up to \$5,000 dollars in assets and a \$6,000 limit in the gifts they receive each year – including gifts for basic living, such as food or a bus pass or tickets to community outings, and including gifts from family. This means that even if loved ones want to provide partial support or a helping hand, they are not permitted by the system above \$6,000 (or \$500 a month), without an interruption of benefits. These restrictions on assets and gifts serve as an ironclad poverty trap that keep many people with disabilities in a state of profound uncertainty and crisis. They also prevent them from successfully transitioning to employment and planning for the future [Ries with Abbas 2017].

It is of interest that a coalition of disability, mental health and poverty organizations has come together to request that the Ontario government make a regulatory change. The proposal is to raise the asset cap from \$5,000 to \$100,000 and eliminate the current gift limit of \$6,000 for those receiving disability supports. There is policy precedent for this recommendation. In 2015, British Columbia raised its asset level limit for those receiving disability benefits from \$5,000 to \$100,000 and removed the gift limit altogether. Alberta has had an asset limit of \$100,000 for some time [Ries with Abbas 2017].

Ontario responded to the proposals of the coalition by introducing in its April 2017 Budget some welcome enhancements to cash limits and other liquid assets. For recipients of the Ontario Disability Support Program (ODSP), the cash and other liquid asset limits will rise from \$5,000 to \$40,000 for single individuals and from \$7,500 to \$50,000 for couples. These increases will take effect as of January 2018.

In recognition of the fact that some social assistance recipients may also rely on the support of family or friends, the income exemption for cash gifts will go up from \$6,000 up to \$10,000 per year. Moreover, gifts of any amount will not reduce the social assistance payment if these funds are used to pay for the first and last month's rent, purchase a principal residence or buy a vehicle. These changes will take effect as of September 2017.

Finally, welfare has acted as a disincentive to work through its strict earnings exemptions provisions. These are the amounts that welfare recipients can keep from paid employment before a welfare taxback kicks in.

Earnings exemptions typically are very low and often barely cover the additional costs associated with paid employment, such as child care, clothing or transportation. For a single person with a disability in Ontario, the earnings exemption in 2015 was \$200 plus 50 percent of net earnings. In addition, a \$100 Work-Related Benefit was paid to each eligible adult family member in any month that he or she receives earnings. While the amount is low, it is comparable to other parts of the country.

Québec and Nunavut permit a flat-rate monthly exemption of \$100 and \$200, respectively. Saskatchewan Assured Income for Disability allows \$200 a month plus 25 percent of the next \$500 up to a maximum \$325. Nova Scotia exempts a monthly \$300 of net wages plus 30 percent of the remaining net wages [Tweddle, Battle and Torjman 2016: 8-9].

Welfare recipients have argued that their work efforts should not be penalized so stringently because it is often difficult to get started or re-engaged in the labour market. BC has moved this direction, exempting a maximum \$9,600 per year in recipient earnings. Assured Income for the Severely Handicapped (AISH) in

Alberta is the most generous program. It exempts the first \$800 of net employment income; any amount between \$800 and \$1,500 is 50 percent exempt with a maximum monthly exemption of \$1,150 [Tweddle, Battle and Torjman 2016: 8-9].

Earnings exemptions would be unnecessary with income-tested programs. Recipients would earn any amount that they are able. The value of the income-tested benefit would vary according to the level of earned income. It would decrease as earnings rose (the decrease would depend on the 'reduction rate' built into the program design) and would increase as earnings dropped.

Income-tested programs ensure that individuals can earn as much as possible through paid employment without fear of losing eligibility for the income security program altogether. They would always have an income guarantee of a certain amount – whether composed of a government payment and/or private earnings. They could work as much or as little (or as episodically) as they are able, and not have to worry about falling into poverty or losing their primary source of income, as is currently the case.

ENSURING ACCESS TO DISABILITY SUPPORTS

The major disadvantage of income-tested programs, however, is that they do not take into account any special needs or circumstances that may give rise to additional expenses – especially disability supports. Unlike welfare, 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.

'Disability supports' refer to an umbrella term that comprises both technical aids and equipment, and personal services. The current system of disability supports, which includes both equipment and a range of personal services, defies simple description. The supports that may be provided in one jurisdiction may not be available in another. Two people with the same functional ability may be eligible for very different supports depending on their condition.

But while special benefits, such as disability supports, are a vital component of the welfare system, they comprise part of the welfare wall that makes it difficult to leave the program. Ideally, these supports would be delivered outside of welfare and made available to all working poor households that require this assistance.

The disability income proposal, described above, addresses this issue. It calls upon the federal government to assume financial and administrative responsibility for income security for persons with disabilities currently on welfare. But the shift to federal authority would result in a windfall savings to the provinces and territories.

As part of the proposed income security redesign, there would be a negotiated accord that would require reinvestment of provincial/territorial savings into a coherent and comprehensive system of disability supports for all persons with disabilities – whether working or on some program of income support. Under this proposal, persons with disabilities would not have to apply for or stay on welfare because they have no other means of accessing disability supports.

There is precedent for this approach in the design of the National Child Benefit, which was introduced in 1998. The federal government assumed financial and administrative responsibility for delivering income benefits to all children living in low- and modest-income households, including those on welfare. As part of a negotiated agreement, the provinces and territories promised to invest their windfall savings into income supports and services for all low-income households in their respective jurisdictions [Battle 2008].

The investment in disability supports would detach the delivery of these goods and services from welfare. That step would represent a crucial advance in making these essential services more available to those who require them rather than to individuals who are on a single program of income support.

In the absence of fundamental reform involving a new income security benefit, the federal and provincial/territorial governments could commit to a joint and targeted investment in disability supports. Again, there is precedent for such shared-cost arrangements, including the federal-provincial/territorial Labour Market Agreements and the former Early Childhood Development Agreements that were signed in 2000 and 2003 [Torjman 2000]. The proposed agreement could include provincial/territorial delivery but with agreed-upon minimum national standards, including the engagement of persons with disabilities in the governance structure of various programs.

At the very least, provinces and territories could improve their existing systems of disability supports to make them easier to access and more effective. Substantial changes can be made through the following measures, which are discussed in the report *Five-Point Plan for Reforming Disability Supports* [Torjman 2007]:

- providing information
- easing access
- improving delivery
- developing a citizen-centred approach
- changing the broader context.

Without an effective and accessible system of disability supports, many persons with disabilities are left to pay for these goods and services on their own. Another way to help down the welfare wall is to help individuals offset the additional costs that they may face in privately purchasing disability supports.

OFFSETTING ADDITIONAL DISABILITY-RELATED COSTS

Persons with disabilities face direct and hidden costs. Direct costs refer to readily itemizable goods and services and include, for example, technical aids and devices or home modifications to which a specific price tag can be attached. Other disability-related expenses are considered indirect or non-itemizable because they are more difficult to quantify with precision. They could include, for instance, hiring a trained caregiver rather than a babysitter for a child with a disability or paying higher prices because of fewer shopping options, higher utility costs for heat or air conditioning, customized tailoring for clothing or special transportation.

Depending on individual circumstances, these costs may be relatively minor or very significant. The fact is that the special assistance provisions of welfare may help cover many of these additional costs. Once individuals move off welfare (or at least try to), they must cover these extra expenses on their own.

The federal government helps offset itemizable costs through the Medical Expense Tax Credit. But there are major drawbacks to this approach. It requires applicants to pay the costs in the first place – funds which they may not have. Moreover, non-refundable tax credits are problematic. Their main shortcoming is that they are of limited value to low- and modest-income households, which pay little or no income tax and so cannot benefit from a tax reduction.

Fortunately, a Medical Expense Supplement was introduced in 2004 by the federal government in order to address this very issue. It was one of the recommendations of the Technical Advisory Committee on Tax Measures for Persons with Disabilities [Finance Canada 2004] – though most Canadians likely know little, if anything, about this tax measure.

In terms of non-itemizable or hidden costs, the federal government helps offset these expenses through a measure known as the Disability Tax Credit. In order to qualify for this credit, applicants must have a severe and prolonged impairment in physical or mental function that markedly restricts the activities of daily living. A licensed professional must attest to this functional limitation. There is no workforce participation required to qualify for this credit.

In 2017, the Disability Tax Credit is worth \$1,217 in tax savings (the value of non-refundable tax credits is calculated as 15 percent of a designated base amount, which is \$8,113 for 2017 for this particular credit). Provinces and territories also offer a smaller Disability Tax Credit, the amount of which varies by jurisdiction.

Unfortunately over the years, applicants have encountered significant problems with the Disability Tax Credit. These include the fact that persons with impairment in mental function face serious eligibility barriers [Department of Finance 2004]. Moreover as noted, it is delivered as a non-refundable credit and thereby disproportionately assists higher-income households.

In light of the many limitations of the current Disability Tax Credit, the non-refundable measure should be converted to a refundable credit [Torjman 2009]. Refundability can be limited to claimants between the ages of 18 and 65 in order to direct this financial assistance toward individuals who may be trapped by the welfare wall – though it would not be restricted only to these beneficiaries [Mendelson 2015].

Such a policy shift would do two things. First, it would help offset the additional costs of disability and contribute to breaking down the welfare wall. Recipients would not have to be on welfare to get access to this important financial assistance. Second, a refundable Disability Tax Credit could provide a vital first step in moving toward the pan-Canadian disability income program, earlier discussed. A move toward the refundability of this credit would help create the foundation on which to build this new program of income support [Mendelson, Battle, Torjman and Lightman 2010].

In Ontario, at least, there is some assistance for these extra costs. Persons with high health costs who are no longer eligible for the Ontario Disability Support Program because their income is too high may qualify for the Ontario Extended Health Benefit. Depending on health care needs, the Extended Health Benefit may assist with the cost of:

- prescription drugs
- dental care
- vision care
- medical supplies, such as diabetic and incontinence supplies
- transportation to and from medical appointments
- assistive devices, including hearing aids.

Applicants who do not qualify for the Extended Health Benefit may be eligible for the Transitional Health Benefit if they leave the Ontario Disability Support Program for paid work and do not have similar health coverage from their employer.

OFFSETTING THE COST OF PRESCRIPTION DRUGS

Canadians pay the second-highest drug prices in the world for prescription drugs, next only to citizens of the United States [Marwaha 2016]. The inability to pay for prescription drugs can have serious health consequences.

In Ontario, about 9 percent of people do not fill medical prescriptions because of cost. A Canadian study found that cost-related non-adherence to prescription drugs was associated with households with incomes under \$20,000, those lacking prescription drug coverage and those with fair or poor self-reported health. International research shows the relationship between income and drug utilization: people with low income are less likely to access prescription drugs than people who are better off. These gaps can lead to broader health system costs associated with a lack of access to medications including complications for chronic conditions and hospital readmissions [Barnes, Abban and Weiss 2015: 4].

Workers with low earnings are less likely than those who are better off to have employer-provided health benefits. Fewer than one-third of workers earning \$20,000 or less a year receive employer-provided health benefits. Most people working at or near minimum wage do not have access to health benefits. This low level of coverage is consistent with Statistics Canada's finding that lower-income households pay a larger proportion of their total after-tax income on out-of-pocket health expenses compared to higher-income households [Barnes, Abban and Weiss 2015: 9].

The high cost of prescription drugs keeps many persons with disabilities on welfare in order to help pay these additional expenses. As noted, Ontario does have an Extended Health Benefit that may assist individuals who have left the Ontario Disability Support Program (ODSP) with the cost of prescription drugs. Individuals facing very high drug-related costs may also apply to the Trillium Drug Program, which provides assistance to Ontarians who spend 3 to 4 percent or more of their after-tax household income on prescription drug costs.

A significant development was just announced in the April 2017 Ontario Budget: a new drug benefit that will fully cover the cost of prescription medications for all Ontarians age 24 and under, regardless of family income. The program will ensure that young adults have access to universal drug coverage and parents. At least families will not have to go on or stay on welfare to get assistance with the cost of prescription medication for their children. Ideally, the province will build on this exemplary initiative to extend similar assistance to adults in the province.

The new measure sets an important policy precedent. It undoubtedly will contribute to the many conversations under way in the country to improve the provision of drug-related assistance and consolidate these individual efforts into a more coherent whole. The Council of the Federation, comprising provincial and territorial Premiers, for example, is considering various policy options for a national system of drug purchase and pricing that would help reduce high costs [Council of the Federation 2012].

Numerous researchers and organizations throughout the country have also identified the need for some form of national pharmacare initiative similar to medicare, Canada's national health care system. In fact, the notion was first proposed by Justice Emmett Hall in 1964, going right back to the beginnings of medicare.

Even back in 1964, with the release of Justice Emmett Hall's Royal Commission on Health Services, policy-makers were already noting the rising costs of prescription drugs and the potential need for a publicly-funded drug plan. Today, pharmacare in Canada is a province-by-province patchwork of programs that seek to address a variety of policy goals. Equitable access to prescription drugs – arguably an extension of the Canada Health Act's (1984) commitment "to ensure that no Canadian suffers undue financial hardship as a result of having to pay health care bills" – remains elusive [Dixon 2014: 1].

A number of proposals have been put forward in recent years to take immediate action on this front. The Canadian Medical Association (CMA), for example, has recommended that the Parliamentary Budget Officer conduct a detailed examination of the financial burden of prescription medication coverage across Canada. The Office should develop costing options for a federal contribution to a national pharmacare program [Canadian Medical Association 2016].

The CMA further recommends that the federal government establish a cost-shared program of coverage for prescription medications. Federal-Provincial/Territorial Health officials should convene a working group on a comprehensive National Pharmaceuticals Strategy that would consult widely with patients, prescribers, and the health insurance and pharmaceutical industries, and report with recommendations by spring 2017.

The Pharmaceutical Policy Research Collaboration at the University of British Columbia has called for the provision of universal coverage for selected medicines at little or no direct cost to patients through a publicly-funded pharmacare program [Morgan et al. 2015]. There would be no needs-based charges, such as deductibles or risk-rated premiums in which costs would go up according to the individual's condition. A publicly accountable body would be appointed to manage pharmacare in order to integrate evidence regarding drug coverage, drug prescribing and follow-up.

But affordability is not the only issue. Improvements are required to the way in which medications are prescribed in Canada in order to prevent problems related to the overuse, underuse and misuse of medicines – which together are responsible for one in five hospitalizations in Canada [Morgan 2015]. The federal government should support the development and implementation of a national strategy to improve safety in prescribing that would be developed in association with patients, professionals and the provinces.

CONCLUSION

Persons with disabilities face an especially high welfare wall. Not only are their wages typically low when they try to enter or re-enter the paid labour market. They also risk losing substantial amounts of additional assistance in the form of technical aids, equipment, disability-related services and prescription medications.

A number of steps can be taken by both the federal and/or provincial/territorial governments to break down the welfare wall for persons with disabilities. These include:

- enhancing the Working Income Tax Benefit (federal)
- making refundable the Disability Tax Credit (federal)
- creating a new federally-delivered disability income benefit (federal-provincial/territorial)
- negotiating an agreement for provincial/territorial investment in disability supports (federal-provincial/territorial)
- improving access to and the quality of disability supports (provincial/territorial)
- helping offset additional disability-related costs (federal)
- extending health-related benefits to working poor households (provincial/territorial)
- lowering the cost of prescription drugs (federal; provincial/territorial).

Shoring up the income security system is an essential step in breaking down the welfare wall for persons with disabilities. But equally important are measures that enable access to disability-related assistance and supports outside of welfare in order to reduce the need to rely on this inadequate program.

Welfare was never intended or designed to act as a first-resort income guarantee over the long term. It is time to take bold steps to redress this social policy perversion that leaves so many Canadians with disabilities living in poverty and on the margins of society.

Endnotes

1. Figure provided by Anne Makhoul who compiles the annual *Social Assistance Summaries* for the Caledon Institute of Social Policy in association with the provinces and territories.
2. Ottawa is substantially raising the Canada Pension Plan maximum payment over time by about 50 percent. In today's dollar terms, the maximum amount will go from \$13,110 to about \$20,000. To help pay for this enhancement, Canada Pension Plan contributions (i.e., the money used to pay for the program) will rise slowly over seven years, starting in 2019. A worker earning \$54,900 will contribute about an additional \$6 more each month in that year. By the end of the seven-year phase-in, that person's contributions will be about an extra \$43 per month.

To ease the burden of rising Canada Pension Plan contributions on low-income workers, Ottawa will provide an offsetting amount to the Working Income Tax Benefit starting in 2019. The maximum WITB benefit for single recipients will rise from \$1,028 today to \$1,192, and for families from \$1,868 to \$2,165 [Torjman, Mendelson and Battle 2017].

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