THE CANADA PENSION PLAN DISABILITY BENEFIT AND BARRIERS TO LABOUR FORCE PARTICIPATION FOR PEOPLE WITH EPISODIC DISABILITIES

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Anja Hurt
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APPROVAL

Name: Anja Hurt
Degree: M.P.P.
Title of Capstone: THE CANADA PENSION PLAN DISABILITY BENEFIT AND BARRIERS TO LABOUR FORCE PARTICIPATION FOR PEOPLE WITH EPISODIC DISABILITIES

Examinining Committee:
Chair: Nancy Olewiler
Director, Public Policy Program, SFU

Dominique M. Gross
Senior Supervisor
Professor, Public Policy Program, SFU

Jon Kesselman
Supervisor
Professor, Public Policy Program, SFU

Olena Hankivsky
Internal Examiner
Associate Professor, Public Policy Program, SFU

Date Defended/Approved: April 16, 2007
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Abstract

This study explores policy options addressed at reforming the Canada Pension Plan Disability benefit in favour of promoting greater labour force participation of people with episodic disabilities. Because benefit eligibility requires proof of inability to work, people with residual work capacities are either denied access or have to accept the designation of being unemployable. This study combines empirical evidence, case studies and an expert interview to analyse the policy shortcomings, identify policy alternatives and measure these alternatives objectively to ultimately put forward recommendations to government. These recommendations reflect a comprehensive disability benefit plan with multiple partial categories aimed at accommodating fluctuating conditions, thereby removing workplace barriers and optimizing efficiency of program delivery.
Executive Summary

Labour force participation of people with disabilities confers important social and economic benefits to the individual and to society at-large; it increases productivity, lowers unemployment, and reduces reliance on government transfers. The most common types of disabilities - pain, mobility and agility - which increasingly afflict an aging labour force in Canada, are potentially episodic in nature and can cause significant impairment at some times but not at others. Particularly relevant at times of looming skill shortages, people with episodic disabilities are often able to work under modified work options during periods with few or no symptoms. However, their condition may prevent them from pursuing regular full-time employment, and many require income support during times of work incapacity.

Canada's primary public long-term income support for lost earnings due to disability is the Canada Pension Plan Disability (CPP-D) benefit. Eligibility for the federal benefit requires that a disability is considered both severe and prolonged; essentially, individuals are considered either fully disabled or fully able to work. This leaves many people with episodic disabilities, who are prevented from earning a regular income, in a truly precarious situation: to qualify for a disability pension they must demonstrate their inability to work and thus ignore any residual work capacities.

This study explores policy options addressed at reforming CPP-D in favour of promoting greater labour force participation and stable income security of people with episodic disabilities. More specifically, the study focuses on partial benefit schemes that allow for combining income support with part-time earnings.

Policy Problem and Methodology

The policy problem at hand is two-fold:

1. There is a lack of stable income security: fluctuating conditions may prevent people with episodic disabilities from earning a regular income, but are often not considered severe enough to qualify for CPP-D.

2. The current system wastes human resources: because of the requirement to prove incapacity to pursue any employment, benefit applicants must accept the designation of
being unemployable; beneficiaries are precluded from participating in the labour force, regardless of potential residual work capacities.

A mixed methodology approach, including international case studies, secondary data from Canada, surveys of disabled people and employers and an expert interview, is used to investigate the link between labour force participation and disability benefit schemes, and to identify three potential policy alternatives. The performance of each alternative is then evaluated based on measuring four criteria which are:

- effectiveness in increasing labour force participation and in providing stable income security;
- acceptability among stakeholders;
- cost performance of the policy;
- accessibility to benefits.

The outcomes of the evaluation are used to rank the proposed alternatives and make recommendations to governments for reforming the disability support system.

**Policy Alternatives and Recommendations**

Three policy alternatives are developed in this research and they are: The *multiple benefit* system, the dual system and the provincial model. The *multiple benefit system* is contributory based and administered at the federal level. It combines one full with three partial benefit options. The federal government provides wage subsidies to employers who hire employees with disabilities and who are responsible for providing return-to-work and rehabilitation services. The *dual system* is a modified version of the *multiple benefit* and contains only one partial benefit category. Larger and medium-size employers face hiring quotas, and the federal government assumes responsibility for return-to-work and rehabilitation services. Finally, the *provincial model* is similar to the *multiple benefit* with the important difference that the federal government delegates the administration of disability benefits to the provinces and territories. Under this non-contributory, universal system, the federal government transfers the necessary grants and closely monitors the provinces and territories, which are responsible for return-to-work and rehabilitation services. There are no specific employer obligations under this option.

The *provincial model* emerges from the evaluation as the superior alternative, in part because of its more integrated approach to managing disabilities. Greater efficiency on account of less program overlap with existing disability provisions allows for more timely responses to fluctuating conditions, in addition to simplifying the bureaucratic process for employees and
employers alike. Moreover, this system, which is a universal system, combines a number of advantages that have been shown to foster labour force participation such as a scale of incapacity ratings and disability categories, a minimal amount of employer obligations, and extensive provisions of rehabilitation and early intervention measures.
Acknowledgements

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1 Introduction

Promoting the inclusion of people with disabilities into the mainstream has increasingly been the focus of both the disability community and policymakers (Wittenburg and Loprest, 2004). In this context, labour force participation appears particularly relevant: it fosters self-reliance and financial independence, thereby greatly contributing to people's sense of self-worth and overall well-being. A recent government of Canada report states that "employment can make a great difference to quality of life" for Canadians with disabilities; those depending mostly on earnings have on average a $22,000 higher annual income than those relying on support programs (HRSDC, 2006b, Chapter 5). Still, people with disabilities continue to face numerous barriers to participating in the labour market.

While the condition of many disabled people prevents them from pursuing regular full-time employment, a significant group with so-called episodic or cyclical disabilities is able and willing to work under modified work options or during periods with few or no symptoms. Episodic disabilities are often non-visible and can cause significant impairment to functioning in the workplace at some times but not at others (OHRC, 2000). This fluctuating capacity to work leaves many Canadians with episodic disabilities in a truly precarious situation: while their condition prevents them from earning a regular income, it is not considered severe enough to qualify for a federal disability pension. Under the Canada Pension Plan Disability (CPP-D) benefit, applicants are considered either fully disabled or fully able to work. In accordance with this all-or-nothing concept, CPP-D clients who possess a residual work capacity are precluded from participating in the labour market. The question then arises: why does CPP-D not include partial benefit options?

In the past, people with disabilities were not expected to actively participate in the workforce (Steinberg, 2001), but this is no longer an accepted reality. Resonating with changing concepts of disabilities, labour force attachment of people with episodic disabilities is now seen as benefiting the individual and society at-large, particularly at times of labour skill shortages and a rapidly aging population. From this perspective, the key policy objectives of an effective

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1 The terms episodic, cyclical and recurrent disabilities may be used interchangeably, and from here on in the expression 'episodic disabilities' is used in reference to all three terms.
disability benefit system are to optimize the use of residual work capacities of people with episodic disabilities, along with ensuring income security.

This study explores policy options addressed at reforming the Canada Pension Plan Disability benefit in favour of promoting greater labour force participation of people with episodic disabilities. To do so, I identify factors that inhibit labour force participation of people with episodic disabilities under the current federal disability benefit system. Of particular interest in this context is the role of a potential partial benefit option: does it promote active labour force participation, while at the same time guaranteeing income security? Highly relevant to policy makers of the federal and provincial governments, this question is likewise of great interest to employers, service providers, advocates and, of course, people with episodic disabilities.

This study contributes to the existing literature by presenting factual information on the prevalence of disability in Canada. In addition, I identify barriers to labour force participation on the basis of survey findings from both people with disabilities and employers. Mindful of the limits to policies' portability across jurisdictions, I also use international research to evaluate the effectiveness of existing partial disability benefit systems. Information obtained from an expert interview complements the empirical inventory.

The study is organized as follows. Section 2 provides a closer definition of the policy problem and identifies the key stakeholders. I conclude the section with an overview of the methodology and data used. Section 3 describes the CPP-D benefit and its institutional framework. A description of approaches taken by some European countries is given in section 4. In section 5, I identify some of the salient barriers to employment of people with episodic disabilities. From this backdrop, section 6 delineates the policy objectives and policy alternatives. Section 7 identifies criteria and measurements that I subsequently use to evaluate the alternatives. I then discuss my policy recommendation in section 8. Section 9 provides final comments.
2 Defining the Policy Problem and Methodology

Motivated by a desire for greater self-reliance and integration into mainstream society, people with episodic disabilities have increasingly sought to participate in the labour market. Aside from the resulting social and economic benefits to the individual, greater labour force participation may also confer a number of benefits to society at-large by increasing productivity, lowering unemployment, and reducing reliance on government transfers (Mont, 2004). In addition, strong economic growth, low unemployment rates, and an aging population typically coincide with a short supply of human resources, and employers may struggle to fill job vacancies. According to Human Resources & Social Development Canada (HRSDC), the 55 to 64 year-old population is expected to increase by over 50% between 2002 and 2012 and will represent nearly half of the total Canadian labour force. As the same source states, important implications of this phenomenon include an exacerbation of looming skill shortages and the rise of disabilities among people in the labour force (WCG International Consultants, 2004).

International research identifies disability policy as possibly the most pressing social policy problem: given the high public spending with often only marginal results, disability policies can amount to nothing less but a waste of human resources (Queisser, 2005). An ever-greater prevalence of disabilities makes policies designed to foster labour force participation all the more imperative (HRSDC, 2003). The Organization for Economic Co-operation and Development (OECD, 2003b, Table 4.12) reports, for example, that between 1990 and 1999 alone, disability awards in Canada due to mental disorders increased two and a half times from 10% to 25%. One might reasonably speculate that these numbers of potentially episodic disabilities have risen in recent years. However, the current federal disability system employs an all-or-nothing approach that is based on the concept of work incapacity: to quality for CPP-D, applicants with a residual work capacity "must accept the designation of permanently unemployable" (Steinberg, 2001, p.5).

People with episodic disabilities, who possess a residual work capacity, are often precluded from entitlement to a disability benefit under the CPP-D. A recent front-page article headed "Disability Gap: No support for those with moderate ailments" by a national Canadian newspaper highlights the dilemma of people who are affected by moderate disabilities that
seriously interrupt their work life. Once employment insurance has run out after 15 weeks of sickness benefits, people are virtually left without an income, because their condition is not considered severe enough to qualify for disability benefits under the Canada Pension Plan (Globe and Mail, 2006). At the same time, CPP-D clients who have episodic disabilities cannot pursue any employment opportunities without jeopardizing their benefit status.

2.1 What are Episodic Disabilities?

When thinking about disabilities, we typically picture people in wheelchairs or with conditions such as blindness. However, the majority of disabilities are of an invisible or hidden nature, and are more commonly characterized by episodic symptoms. Health conditions whose symptoms are potentially episodic include Multiple Sclerosis, HIV/AIDS, some types of cancer, epilepsy, mental disorders, chronic fatigue syndrome, fibromyalgia, back pain and other chronic pain syndromes.

A report by the Ontario Human Rights Commission (OHRC) explains that disabilities might remain hidden because they are episodic in nature. The Commission describes symptoms, which can cause significant impairment to functioning in the workplace and elsewhere, and which can flare up suddenly or remain entirely non-evident. Precisely because episodic disabilities are often non-visible, they tend to be less understood within mainstream society, and individuals may not disclose their condition for fear of stigmatisation (OHRC, 2000). At the same time, the unpredictability of episodic disabilities can cause social exclusion due to fluctuating abilities to participate in the labour force or in activities of daily living (McKee & King, 2006). Institutional programs designed to provide income security typically do not address the particular circumstances of people with episodic disabilities. Instead, discrepancies about how to define disabilities continue to prevail.

2.2 Disability Definitions and Concepts

The Government of Canada’s website on the federal disability pension benefit does not provide one specific definition of disability. To be eligible for the benefit an applicant’s disability must be considered both severe and prolonged by CPP’s medical adjudicators, and must prevent an employee from “working regularly in any job at a substantially gainful level”

2 According to Statistics Canada’s 2001 PALS survey, the most common types of disabilities among working age adults are pain, reduced mobility and agility. Findings from this and other surveys concerning the prevalence of disability in Canada are discussed in Section 4.

In addition, qualifying for disability assistance under other government programs or private insurers does not guarantee eligibility for a CPP disability benefit (HRSDC, 2007).

The Ministry of Human Resources and Social Development underlines the advantages of the relatively broad definition of disability: even though case adjudication is predominately based on an individual’s medical condition, increasingly important in the process is the actual impact of the condition on a person’s ability to function (HRSDC, 2003). To this end, the government claims that it is the impact of the medical condition on one’s ability to work regularly at any job rather than the condition itself which is relevant in the adjudication process (HRSDC, 2007).

Emphasising a disability’s impact on work constitutes a marked departure from the narrower condition type-based adjudicative approach. Traditionally, applicants qualified for CPP-D on the basis of a particular disability type, regardless of their ability to carry out certain basic activities. More indicative of an individual’s ability to work are non-medical criteria of disability that look at functional limitations to activities of daily living (Caledon Institute for Social Policy, 2003). Wittenburg and Loprest (2004) argue that a move from a work-disabling concept towards a work-focused public system is necessary to foster labour force attachment. Moreover, such a move is key to altering attitudes about disability. In effect, the Government of Canada recognizes that definitions of disability are central to shaping disability policy strategies (Government of Canada, 2003). It follows that a system beset with inconsistencies concerning disability definitions is less likely to have effective policy strategies. At present, individuals may be considered disabled for one but not for another program (Crawford, 2002). Moreover, the current all-or-nothing system seems inconsistent with the government’s acknowledgement that the impact of disability on ability to work is what really matters.

A report by the government points to the conflict between the need for a more coherent approach to delivering disability-related programs and the inadequacy of a single definition to address broader issues, such as eligibility criteria and program objectives. It explains how much of today’s confusion concerning disability definitions, eligibility criteria and the objectives of benefit support programs relates to the multi-dimensional character and the evolving concept of disability. The document cites a recommendation by the Standing Committee on Human Resources Development to amend portions of the Employment Equity Act as one example of the extent to which definitions affect the relationship between disabilities, employment and benefit

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4 The law defines a severe disability as one which prevents a person from doing his or her former job, or any other job, on a regular basis. A disability is prolonged, when it is expected to last at least one year or is likely to result in death (HRSDC, 2007).
entitlement. At issue is the question of whether or not 'disability' should be linked to the term 'disadvantage': many working people with disabilities do not consider themselves disadvantaged in employment, regardless of whether their condition poses limitations (Government of Canada, 2003, p.3-4).

At the international level, the OECD repeatedly stresses the great difficulty of defining the concept of disability. The organization explains that contrary to common perceptions of severe and lifelong afflictions, disability often refers to less serious and possibly curable conditions. Also, recent years have seen a considerable increase in disability cases due to mental illness and psychological problems that may be episodic in nature. In light of the heterogeneity of the disabled population, differentiating between minor and major disabilities poses a first difficulty. The intrinsic risk is to exclude from the benefit roll some whose condition requires income support, while mistakenly including others, who are subsequently less likely to maintain labour force attachment (OECD, 2003a, p.138-139). The difficulty of formulating definitions that strike a balance between these two risks is heightened by the recognition that incapacitating disabilities can be episodic in nature.

Fluctuating work capacities seem best accommodated by diverse concepts of disability. At the same time, policymakers are asked to design effective programs with consistent definitions.

2.3 The Key Stakeholders

Along with the government, people with episodic disabilities are obvious stakeholders in a discussion concerning disability provisions and labour force attachment. The social and economic benefits of participating in the labour force, such as greater self-esteem, better health and increased living standards, are well documented. Lobbying on behalf of people with episodic disabilities are a number of disability associations and groups. They include the Canadian Working Group on HIV and Rehabilitation, the Multiple Sclerosis Society of Canada, and the Canadian Abilities Foundation, to name just a few. These groups typically share a common agenda around social inclusion and participation in the labour force that does not threaten an individual's disability status. People with episodic disabilities and the organizations representing them have repeatedly called for reforms that would better integrate disability management.

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5 See, for example, Huxley and Thornicroft (2003) and Williams (2006) for discussions on the relationship between employment and social inclusion.
strategies and programs employed by the federal and the provincial governments, as well as private insurance carriers.⁶

A second major stakeholder group are employers and human resource departments. Combining a partial disability benefit with a reduced work option directly affects the labour supply, and hence an employer’s ability to find qualified personnel. The inclusion of a partial disability benefit would likely require a number of modifications that pertain to both the workplace and the employer’s role in the management of episodic disability cases. Under the current system, employers appear to have little influence over the labour force participation or work absenteeism of people with episodic disabilities. Yet, the financial burden due to losing an employee either temporary or permanently is largely borne by the employer, as are the costs associated with finding and training a potential replacement. At the same time, an employer’s ability to accommodate any requirements of people with episodic disabilities may depend on the availability of external aids, such as financial support and guidance on how to manage episodic disabilities at the workplace.

2.4 Methodology

To analyse the positions of the stakeholders, I use quantitative and qualitative information. Quantitative data are primarily derived from surveying academic literature, government reports (i.e. from Statistics Canada, HRSDC), labour and business documents, and reports by independent associations and organizations (i.e. OECD, Canadian Abilities Foundation). The main purpose is to extract theoretical and empirical evidence that serves to identify barriers to labour force participation for people with episodic disabilities. In addition, I use case studies to analyse international disability programs and their experiences with partial disability benefit systems. Finally, an interview with a key informant provides a complementary perspective.

A methodological difficulty is the lack of differentiation between episodic and other permanent disabilities in some empirical studies. However, this does not prohibit me from drawing conclusions relevant to people with episodic disabilities. As will be apparent, much of the evidence is directly applicable to people with episodic disabilities, and I am confident that my analysis provides valuable insights into this group’s employment barriers.

⁶ See, for example, Statement of Common Agenda on Disability, Full Participation & Work (2005), as well as McKee and King (2006) and The Canadian HIV/AIDS Legal Network (2005).
Excluded from my study are people who have an episodic disability as a result of a work injury. Work-related disability cases are generally administered outside of the CPP-D under the Workers Compensation Board (WCB).
The Canada Pension Plan Disability Benefit

The following overview of the CPP-D benefit provides the context for the subsequent analyses of case studies. Starting with a brief review of the benefit’s key features and the evolution of beneficiaries over time, I move on to elaborate on the contributory requirements and entitlement criteria. Subsequent subsections discuss some recent reforms as well as benefit provisions that are particularly relevant to episodic disabilities. I conclude this section by outlining CPP-D’s linkages to other disability support programs.

3.1 Key Features

Incorporated into Canada’s Pension Plan (CPP) system in 1966, CPP-D is administered by the Income Security Programs Branch of the federal department of Human Resources and Social Development Canada (HRSDC). Torjman (2002) explains the CPP-D is Canada’s primary long-term disability program, whose purpose has always been the replacement of lost wages. Public assistance preceding long-term CPP-D benefits are 15 weeks of sickness insurance, which I do not further discuss. The above author identifies at least four important features that are unique to the CPP-D:

- The benefit is the only earnings-based plan available to the majority of people regardless of their medical history
- The benefit amount is guaranteed through a fixed percentage of average lifetime earnings
- All working Canadians are covered, including those self-employed
- The benefit is portable, meaning transferable between jobs and employers anywhere in the country without impact on the benefit’s value across provinces.

Entitlement to the CPP-D ceases upon an individual’s regained ability to work regularly at any job or upon turning 65 years (HRSDC, 2007). In addition, a number of legislative

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7 Excluded from this study are people residing in Quebec. The province has its own disability program, the Quebec Pension Plan (QPP), which is completely separate from CPP.
8 For details concerning sickness benefits see Services Canada (2007).
9 This universal nature of the benefit is an exception among Canadian social programmes since, for example, independent labour force participants are not eligible for coverage in case of a work injury or in case of unemployment.
measures in the past have directly affected entitlement criteria to the benefit and, hence, the number of beneficiaries at a given time.

3.2 Evolution of CPP-D Beneficiaries

Between 1966 and the mid 1990s, the number of CPP-D beneficiaries as a percentage of CPP contributors rose steadily and declined throughout the late 1990s (see Figure 1). In recent years, the percentages have nearly plateaued.

*Figure 1: Number of CPP-D Recipients as a Percentage of CPP Contributors*

![Graph showing the percentage of CPP-D recipients over time.](chart)

*Source: HRSDC (2006) from Table 1.A, p.3 and Table 12, p.43*

Figure 1 depicts a trend similar to the change of the absolute numbers of beneficiaries over time. Between 1980 and 1996, the number of CPP-D recipients rose from 83,000 to just below 300,000, a level that is almost identical to today’s count; a slight dip in absolute numbers occurred following the mid 1990s (HRSDC, 2006, Table 1.A). The drop in the percentage of beneficiaries in the late 1990s reflects stricter eligibility regulations, which curtailed the number of new disability cases in the wake of the early 1990s’ recession (Torjman, 2002).

3.3 Contributory Requirements and Eligibility Criteria

HRSDC (2007) provides details on the regulations applying to CPP-D, and is the main source for this section. As a rule, CPP contributions are mandatory for every Canadian resident over the age of 18 with a set minimum annual salary. At present, qualifying for CPP-D requires
contributions for at least four out of the last six years. In addition, in 2006 an employee would have had to earn an amount higher than $4,200, while no contributions are made on any portion of an income above $42,100. The employee contribution, which is matched by the employer, is a percentage of earnings. In the case of self-employment, the contributor is responsible for paying both portions. While taxable, the benefit is indexed to inflation (Torjman, 2002).

In 2005, the average monthly CPP-D benefit paid to contributors was nearly $775. The largest possible monthly disability benefit in 2006 was just over $1,000 with the addition of a $200 monthly rate paid to each eligible child (HRSDC, 2006a, Table 9, p. 15). Overall, in 2005-2006, 296,000 adults and their 89,000 children received $3.3 billion in benefit payments (HRSDC, 2006b, Chapter 4, p.71).

Traditionally, CPP-D beneficiaries have been seen as lifetime disability pensioners prior to moving into old age pension at age 65. However, recent reforms have increasingly sought to rectify this picture through measures that focus on employment.

### 3.4 Provisions with a Focus on Work

In the early 1990s, CPP adopted mandatory vocational rehabilitation for those deemed to have employment potential. Approximately 500 beneficiaries partake in the rehabilitation program each year (HRSDC, 2003). Failure to comply with these provisions may end benefit payments, in much the same way as evidence of a capacity to return to regular, gainful employment does. In such event, following a grace period of three months of continued benefit payments, the disability pension ceases regardless of whether or not an individual has secured ongoing employment (Torjman, 2002).

More recent CPP-D features directed at encouraging return to work efforts are a paid three-month work trial and a provision to ‘fast-track’ recipients back into the benefit program should their medical condition deteriorate within two years of their return to work (Torjman, 2002). During the first year since the policy’s implementation in 2005, 161 CPP-D beneficiaries were able to quickly reinstate their benefits, when their disability had returned and prevented them from working (HRSDC, 2006b, Chapter 4). Another policy in favour of improving labour force attachment was established in 2001: the ‘allowable earnings’ provision, set at $4,200 in 10 It is possible to interrupt CPP contributions at times when earnings are low or non-existent (Torjman, 2002, p.9).

11 In 2006, the contributory amount was 4.95% of an employee’s income.  
12 The monthly benefit is calculated on the basis of a fixed amount, which in 2006 was $397.61, plus an amount that is calculated in accordance with an individual’s entire past CPP contributions.  
13 An eligible child is defined as up to 18 years of age, or 25 years if pursuing full-time studies.  
14 HRSDC (2006b) does not provide statistics on CPP-D clients who remain at work.
2006, enables beneficiaries to earn a specified annual income that does not need to be reported (HRSDC, 2007). Earnings beyond that threshold are offset on a dollar-per-dollar basis. In evaluating this provision in the context of CPP-D's impact on labour force participation among people with episodic disabilities, it should be kept in mind that, by definition, benefit entitlement requires evidence of an individual's inability to pursue gainful employment. It is clear that rather than promoting part-time employment while on disability benefits, most of these recent provisions aim at facilitating a full return to work where possible.

3.5 The CPP Disability Benefit and Episodic Disabilities

In a recent report, the Ministry of Human Resources and Social Development acknowledges that people with episodic disabilities hold a special position in the context of labour force participation (HRSDC, 2003). The document outlines the government's perspective, and in accordance with current CPP-D guidelines recognizes degenerative and episodic disabilities. It further acknowledges that many CPP-D beneficiaries are afflicted with these types of disabilities, but it also states that

[the] Government [...] does not believe regulations and guidelines need to be changed to accommodate the needs of individuals with episodic or recurrent conditions. Because the determination of disability for CPP is based on the functional limitations that prevent a person from working, and not simply on a medical diagnosis or prognosis, the adjudication process is able to take into consideration the short- and long-term impacts of recurrent or episodic medical conditions on the client's ability to function in the workplace (HRSDC, 2003, p.22).

Based on the above statement, some types of episodic disabilities justify entitlement to benefits; yet, such conditions apparently do not warrant attachment to the labour market. Instead, the report suggests that episodic conditions may cause minimal or erratic attachment to the workforce, thereby precluding people from fulfilling the contributory requirements to qualify for disability benefits (HRSDC, 2003).

The observation that people with episodic disabilities might not qualify for CPP-D benefits because of insufficient past contributions appears to directly contradict the report's earlier statement that many CPP-D beneficiaries are afflicted with episodic disabilities (HRSDC, 2003). More importantly, the document does not acknowledge that numerous people with episodic disabilities are capable of maintaining a more regular, albeit part-time labour-force attachment. Instead, the government seems to equate episodic disabilities with a minor, sporadic
ability for labour force participation. This, of course, justifies the status quo of the present disability pension system.

At the institutional level, none of the current provisions seem to correspond to the situation of many people with episodic disabilities, who are capable of working part-time. In the event of a CPP-D benefit award, any opportunity to regular employment at a reduced capacity is foregone: people with episodic disabilities who maintain some form of labour force attachment lose eligibility to federal disability benefit. At the same time, their reduced earnings may be insufficient to warrant income security. In such case, a person with episodic disabilities can seek support through programs outside the CPP-D.

3.6 Coordination with Other Disability Support Programs

In Canada, disability income support programs are subject to multilateral agreements between the federal government and the provinces or territories. This has numerous significant consequences, and a modification of the federal disability program will inevitably influence other programs. As a result, the role of the CPP Disability benefit in the context of labour force attachment of people with episodic disabilities cannot be fully understood without considering the impact of other programs of support.

Public support for people with episodic disabilities outside of the CPP-D benefit comes primarily from two sources: Employment Insurance and Social Assistance. At the federal level, Employment Insurance (EI) provides income protection for temporary work interruption due to illness or temporary disability (Torjman, 2002). EI benefits are paid at 55% of average annual earnings, and in the case of disability assistance, EI provides up to 15 weeks of income support (Services Canada, 2007). The duration of EI sickness benefits is rather short because the program is primarily intended to complement longer-term illness and disability benefit programs, such as employer-sponsored or private insurance plans, and the CPP-D (HRSDC, 2006b). Hence, people with episodic disabilities who do not have coverage under private insurance and who do not qualify for the CPP-D may be left with the single option of applying for social assistance once EI benefits run out.  

This study does not address income support from private insurance carriers, because a considerable number of people with episodic disabilities do not have coverage through either individual private or group disability benefits. Similarly excluded from the analysis are so-called 'categorical programs' which may include tort liability, automobile accident insurance, criminal injuries compensation and veterans' benefits, their purpose accordingly being "to compensate a specific group of people for the effects of disability or injury related to specific causes or events" (Torjman, 2002, p.43).
Social Assistance (SA), which is delivered by the provinces and territories, is commonly described as 'the income program of last resort' for those whose income is too low to meet basic needs, including CPP-D beneficiaries. While provinces and territories have their own specific rules for entitlement, SA programs across jurisdictions have traditionally required that for an applicant to qualify under the disability provisions of the program, the condition must be considered severe and prolonged, thus rendering an applicant unemployable (Torjman, 2002, p.45-46).

More recently, some jurisdictions, such as the province of British Columbia (BC) have taken a different approach. Even though clients with a disabled designation are not required to work, BC's recent legislative changes expressively focus on employability and labour force attachment. Hence, BC seems particularly suited for an illustration of how disability programs at the provincial and at the federal level are interrelated.

As in other jurisdictions, the income security program for people with disabilities is incorporated into the province's SA program. The 2002 legislated Employment and Assistance for Persons with Disabilities Act governs income assistance programs for people with disabilities separately from general income assistance. The Act stipulates that eligibility for support requires an applicant to be 18 years or older and to have "a severe physical or mental impairment that is expected to continue for at least two years." In defining disability, the legislation focuses on functional limitations, while specifically addressing the need to include criteria for episodic illnesses. A person with disabilities is defined as a person

with a physical or mental impairment who is significantly restricted in his or her ability to perform daily living activities either "continuously or periodically for extended periods" and, as a result of these restrictions, requires assistance with daily living activities. Assistance could come from another person, an assistance animal or an assistive device.

The Act further acknowledges the need to focus on employability without compromising the availability of assistance for people with disabilities. To this end, the Act stipulates "the right to participate in the labour force [as one is able] while maintaining disability designation." As such, people leaving assistance for employment keep their designation status and do not need to reapply for disability status should their condition worsen and should they need to require

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16 The main source of information underlying the content of this subsection is the website of the Government of British Columbia (2007).
17 A second category that is governed under the general income assistance provision is the 'Persons with Persistent Multiple Barriers' (PPMB) category. It is intended for individuals whose specific barriers to employment prevent them from achieving financial independence (Government of British Columbia, 2007).
18 For a definition of 'daily living activities' see Appendix A.
assistance. In addition, unlike other SA clients, people with a disabled designation receive assistance that is not subject to any time limits (ORW, 2007).

Along with being eligible for medical coverage and for a low cost annual bus pass, people with a disabled designation receive monthly support and shelter assistance. The maximum monthly support rate for a single individual with a disabled designation is $625. Shelter allowances are paid on top and range between $75 and $770, depending on the size of the family unit and its number of people with a disabled designation.\(^\text{19}\) Comparatively speaking, these support rates for people with disabilities are the third highest among Canadian provinces. Since early 2006, earning exemptions for individuals with disabilities have been set at $500 per month. Any earned income beyond that amount will be offset on a dollar-for-dollar basis.

In addition to disability assistance from the provinces, the Government of Canada has created a number of programs carried out in partnership with the provinces and territories and that address labour market barriers (HRSDC, 2003). These programs, such as *the Employability Assistance for People with Disabilities* (EAPD) and *the Labour Market Agreements for Persons with Disabilities* (LMAPD) seek to improve the employment situation of people with disabilities through skill development and training, increased employment opportunities, job coaching and through providing support for employers and disability-related costs (Government of Saskatchewan, 2007). Another example is the federal *Opportunities Fund for People With Disabilities* (OF), which may provide employers or eligible employees with the support needed to secure employment or to become self-employed (Treasury Board of Canada, 2007). While these policy strategies aim at promoting labour force attachment, the primary focus is on re-integration into regular employment. They do not address the particular circumstances of people with episodic conditions that cause fluctuating abilities to work.

In comparing the disability support programs discussed in this section, the explicit recognition of episodic disabilities in the legislative provisions of the government of British Columbia seems a step in the right direction. A focus on labour force attachment is likewise apparent in considering that SA clients retain their disabled designation if pursuing ongoing employment, whereas CPP-D clients do not. Also, the allowable earnings exemption under SA is higher than under CPP-D. While employment-based earnings under SA are not linked to any obvious disadvantages or risks, the province's disability provisions do not appear to reflect the intentions set out under the *Act*. Despite all the emphasis on episodic conditions and employability in the legislation, there are no disability provisions in place that reflect fluctuating

\(^{19}\) For a detailed break down of assistance denominations see Government of British Columbia (2007).
conditions and work capacities. Like the federal plan the provincial disability support program does not provide partial benefits.

At present, no institutional arrangements at any level of government in Canada seem to accommodate the particular requirements of people with episodic disabilities. How other jurisdictions at the international level have addressed the matter is the focus of the following section.
4 **International Disability Pension Plans**

Disability policies abroad are instructive on account of ongoing discussions on partial benefit provisions in the context of labour force participation. Having wrestled for some time with some of the challenges associated with partial benefit options, countries like the Netherlands, Sweden and Germany can provide valuable information on potential strengths and pitfalls.

The Netherlands, Sweden and Germany share a number of characteristics with Canada, such as an aging labour force. Another commonality is that the vast majority of the working age population resides in urban centres. The three European countries are similar in that all have disability pension systems that combine partial permanent benefit options with full benefit coverage. In 2002, 24% and 31.7% of all disability cases in Sweden and the Netherlands respectively were partial (Dean, 2005). Preceding full and partial permanent disability benefits are sick-leave benefits that typically last between one and two years. Each of the three systems under review is unique in a number of ways, thereby lending itself to an analysis of policy alternatives concerning partial disability pensions.

4.1 **The Netherlands**

The Dutch social security system was considered among the most generous, until drastic reforms between 1993 and 1996 addressed the rise of absenteeism and the high incidence of long-term disability (Schutz & Muller, 2001). Numerous reforms over the last two decades have included measures aimed at liberalizing market offerings through private insurance carriers, along with shifting greater responsibility to employers (Bergendorff, 2003).

Disability categories. Among the Dutch system’s most unique features are its seven disability categories, including one full and six partial benefits. Benefit levels are evaluated on the basis of a loss of earnings capacity. For example, a full benefit is awarded in the event that an individual’s earnings are reduced by more than 80% as a result of a disabling condition. The six
partial disability benefits range from 15 to 80% - that is, partial benefits are paid in the event that an individual’s earnings capacity is reduced by a minimum of 15% (Dean et al., 2005).

**Benefit compensation & earnings.** Benefit compensation in case of full benefit is up to 70% of pre-disability earnings; partial benefits are calculated by taking the midpoint of the respective range in which the disability rating falls, which is then multiplied by 70%. As a rule, both full and partial disability pensioners may engage in paid employment. The allowable earnings threshold is set to keep combined benefit and income earnings to a maximum of a person’s pre-disability wage (Dean, 2005).

**Key features.** The central role of the employer in the Dutch disability benefit system is evident in a number of provisions. Dean et al. (2005) reports that firstly, employers are responsible for the first two years of sick-leave pay that precede the long-term disability benefit. Secondly, employers with above average incidence of new disability cases face higher contribution rates. Thirdly, employers are responsible for initiating rehabilitation efforts; failure thereof may cause social insurance authorities to refuse a disability claim application (Rae, 2005). Fourthly, employers trigger the assessment process for eligibility to permanent full and partial disability benefits, based on their evaluation of an employee’s incapacity to work (Wittenberg & Loprest, 2004).

### 4.2 Sweden

Sweden began introducing drastic reforms to its disability compensation system in 1999 to curb rising beneficiary rates. Szymendera and Moller (2005) state that the former universal system is now contributory-based and thus more exclusionary. The authors advise that local social insurance offices in each county have primary responsibility for administering the disability support programs; the so-called National Social Insurance Board transfers the grants for benefits provided by the local offices, in addition to advising on policy matters.

**Disability categories.** Sweden’s combined full and partial permanent disability system has four disability status categories: one full and three partial benefits are evaluated on the basis of lost earnings capacity. For example, to qualify for full benefit an individual’s earnings (i.e.

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20 The six partial disability categories are: 15-25%, 26-35%, 36-45%, 46-55%, 56-65% and 66-80% (Dean et al., 2005).
21 Based on this formula, benefit compensation levels corresponding to the six partial benefit categories are 14%, 21%, 28%, 35%, 42% and 50.75% of pre-disability earnings (Dean et al., 2005).
22 In the case of full benefit recipients, the right to full entitlement is kept so long as earnings from employment are below 15% of former wages (Dean, 2005, p.92).
23 Prior to the 2004 reforms, sickness pay lasted up to one year.
work capacity) must be reduced by more than 80%. The numbers for the partial categories are 75%, 50% and 25% (Szymendera & Moller, 2005).

**Benefit compensation & earnings.** Compensation in case of a full benefit award is calculated with a formula, which takes into account numbers of years of residency in Sweden and the number of years until an individual reaches age 65 (Szymendera & Moller, 2005). In case of partial benefit, the benefit amount is multiplied by 25%, 50% or 75% respectively. While full benefit recipients are not allowed to undertake any significant work, recipients of a partial benefit may earn the equivalent of their capacity: for example, people with a 75% earning incapacity can earn up to one quarter of their pre-disability income (Dean, 2005).

**Key features.** The disability system has a time-limited component: a temporary full or partial disability benefit may be awarded in anticipation of a 1-3 year long reduced work capacity. Under the “try out” option, beneficiaries continue to receive benefit payments during the first three months following a return to work; thereafter, benefits may be put on hold for up to two years (Rae, 2005). The additional costs of return-to-work and rehabilitation services are typically born by the employer and not by the government (Szymendera & Moller, 2005). However, the government may offer flexible wage-subsidies to employers: these schemes cover on average 60% of wage costs for up to four years (OECD, 2003a).

4.3 **Germany**

Germany’s pension system has undergone a number of reforms because the nation’s aging population and the strong reliance on early retirement programs threatened the system’s sustainability (Mitra et al., 2005). The current system came into effect in 2001 and is called “pension because of reduction in earnings’ capacity” (Rente wegen Erwerbsminderung) (MHRC, 2005, p.13). The responsibility of administering and paying partial and full benefits falls to the national Statutory Pension Insurance.

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24 The calculation of the full benefit amount is based on a price base amount, set at SEK (Swedish Krona) 39,300 in 2004, which is multiplied by 2.4 and reduced by 1/40 for every year for which the sum of the number of years of residency + the number of years until age 65 is below 40 (Szymendera & Moller, 2005). In accordance with the exchange rate of March 16, 2007, SEK 39,300 equal US$ 5641 (x-rates.com, 2007). On the basis of the above price base amount and exchange rate, the full benefit for an individual who is 100% incapacitated and who has 39 insurance years is: [US$ 5641*2.4]*39/40 = US$ 13,199.94/year.

25 Refer to footnote 21 for a comparison with partial benefit categories under the Dutch system.

26 Depending on changes in health status, the subsidy may be adjusted over time (OECD, 2003a).
**Disability categories.** The disability system has one full and one partial benefit; entitlement is evaluated in accordance with the number of hours an individual is capable of working rather than on the basis of loss in earnings capacity. An employee is considered fully disabled if the residual work capacity falls below three hours per day in *any* job (MHRC, 2005).27 A partial benefit is awarded in case of a residual work capacity of between three and six hours per day (Wittenburg & Loprest, 2004).

**Benefit compensation & earnings.** Depending on the number of contributory years and the level of income, a full benefit can be equal to pre-disability earnings.28 Compensation in the case of permanent partial benefit award is half the rate of full benefit and can be topped up to a full-rate pension in the event that no suitable job is available (ILO, 2007). Dean (2005) reports that partial beneficiaries can earn an unspecified amount without affecting their benefit; prior to recent reforms, benefits were offset almost by the entire amount of earned income. Furthermore, full benefit recipients may earn up to one seventh of a set monthly reference income; the amount can be exceeded in two out of twelve months without adverse affects on the disability pension status.29

**Key features.** The German disability system has a time-limited component: first time long-term disability benefits are granted on a temporary basis for three years, unless an applicant’s condition is not expected to change (Mitra et al., 2005). Prior to 2001 partial disability benefits recipients were automatically transferred to full pension status if they had not found employment within one year; since then, this provision has been phased out and a transfer may only take place if part-time opportunities are scarce, as determined by the federal government (Mitra, 2005). A hiring quota constrains medium-sized and larger employers to hire 5% of employees with disabilities (RI Commission on Administration and Organization in Rehabilitation, 2003).

One of the most prominent features of the system is its emphasis on government financed vocational rehabilitation, training and early intervention. Prior to receiving permanent benefits, most participants are required to undergo a mandatory rehabilitation period, and long-term

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27 Prior to 2001 Germany had two levels of disability protection: one paid approximately 100% of the standard old-age pension in case of an inability to perform *any* occupation; another paid 66% of the old-age pension in case of inability to perform one’s *own* or *similar* occupation. The distinction between *any* and *own* occupation has since been eliminated in favour of the former definition (Schutz & Muller, 2001).

28 Full benefits are calculated in accordance with the number of contributory years and the sum of so-called earning points (a person’s gross earnings in a year divided by that year’s average earnings of all insured people) reached prior to the onset of disability (Mitra et al., 2005).

29 In 2002, the reference income was set at €345. Based in the exchange rate of 1.331 on March 16, 2007, the equivalent in US funds is $460.
benefits are only awarded if return-to-work interventions cannot restore a participant’s earning capacity (Wittenburg & Loprest, 2004). Bergendorff (2003) points to the integrated nature of Germany’s various disability programs: along with providing monetary benefits, rehabilitation and training, the Statutory Pension Insurance monitors sickness absences from the workplace and advises employers on health promotion issues. The author reasons that insurance administrators are in a better position to advise employers and to influence the provision of health care services, because a single institution is responsible for the above disability services.

4.4 Institutional Provisions Compared

Table 1 provides an overview of the key features of long-term disability provisions for each country. It is used for a brief analysis of incentives to participate in the labour force.

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30 See Appendix B for a more detailed overview of the countries’ long-term disability benefit provisions.
Table 1: Characteristics of Disability Pension systems in the Netherlands, Sweden and Germany

<table>
<thead>
<tr>
<th>Source</th>
<th>Netherlands</th>
<th>Sweden</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Basis of entitlement</strong></td>
<td>Loss of earnings capacity; (work capacity reduced by at least 15%)</td>
<td>Loss of earnings capacity; (work capacity reduced by at least 25%)</td>
<td>Loss of work capacity; (remaining ability to work is no more than 6 hours/day)</td>
</tr>
<tr>
<td><strong>Benefit categories</strong></td>
<td>Full: 80% + Six partial benefits</td>
<td>Full: 80% + Three partial benefits</td>
<td>Full: ability to work less than 3 hours/day One partial benefit</td>
</tr>
<tr>
<td><strong>Allowable earnings</strong></td>
<td>Combined income to a maximum of a person's pre-disability wage</td>
<td>Full: no significant work Partial: equivalent of incapacity</td>
<td>Partial: unspecified amount</td>
</tr>
<tr>
<td><strong>Employer obligations</strong></td>
<td>1) 2 years sickness pay 2) Higher incidence of disability = higher contributions 3) Rehab &amp; return-to-work</td>
<td>Rehab &amp; return-to-work</td>
<td>Hiring quotas</td>
</tr>
<tr>
<td><strong>Government obligations</strong></td>
<td>Earnings compensation for long-term disability only</td>
<td>1) Earnings compensation 2) Wage subsidies to employers</td>
<td>1) Earnings compensation 2) Rehab, vocational training, return-to-work 3) Potential full-rate top up of partial benefit</td>
</tr>
<tr>
<td><strong>Other provisions</strong></td>
<td>N/A</td>
<td>1) Time-limited component 2) Try out option/on-hold benefits</td>
<td>1) Time-limited component 2) Mandatory rehab prior to permanent benefits 3) Disability program integration</td>
</tr>
</tbody>
</table>

Sources: Dean et al. (2005), Bergendorff (2003); Honeycutt & Mitra (2005); ILO (2007); Mitra (2005); Mont (2004); OECD (2003a); Rae (2005); Szymendera & Moller (2005); Wittenberg & Loprest (2004)

There are five features that clearly link disability programs to labour force participation: benefit categories, earnings allowance, employers’ obligations, on-hold provisions and integration of programs. A large number of benefit options, such as the Netherlands’ six partial, narrowly defined disability categories, support a tailored approach to beneficiaries’ residual work capacities in the labour market. In theory, a system with highly differential partial benefits would optimise residual work capacities. In practice, beneficiaries have little financial incentive to move to a lower paying benefit category should their condition improve.

Provisions allowing partial beneficiaries to earn an unspecified amount promote labour force participation (see Table 1). Relevant to people whose episodic disabilities are more severe and who receive full benefits, under the German system, annual earnings exemption can be
exceeded in two out of twelve months. Thus, the provision supports labour force participation during periods of increased well-being. Automatic benefit top-ups in the absence of an immediate part-time employment opportunity can diminish labour force participation, as illustrated by Germany’s pre-reform regulation.

Table 1 further illustrates how employer responsibilities are particularly high under the Dutch system. Greater financial obligations facing the employer in case employees become disabled provide incentives to create work conditions that promote employees’ well-being. The strategy clearly promotes ongoing active labour force participation among existing employees with episodic disabilities. Also, assigning the responsibility of return-to-work and rehabilitation services to employers, as is the case in the Netherlands and in Sweden, provides additional incentives to create workplace conditions that maximize an employee’s potential for ongoing labour force attachment. At the same time, these financial obligations make people with episodic disabilities a greater liability and thus pose a barrier to hiring employees from this group. In the case of Sweden, the possibly adverse effect from increasing employers’ obligations may be offset by the provision of government-funded wage subsidies, which provides an incentive to hire people with episodic disabilities. Increasing labour force participation not via incentives but through regulations is another option and characteristic of Germany, where larger employers are required to hire a certain percentage of employees with disabilities.

Allowing beneficiaries to put benefits on-hold like in Sweden, reduces risks associated with a return to work: people with episodic disabilities do not jeopardize their eligibility for future benefits should their condition worsen. Hence, the provision removes barriers to labour participation. Under the Swedish and German systems, first-time long-term benefits are subject to a time-limited component. This may promote labour force attachment because of the implicit assumption that a condition is temporary in nature. The requirement to reassess beneficiaries’ work capacities prior to awarding permanent benefits likewise supports labour force attachment. In the case of Germany, such efforts are further underlined by mandatory rehabilitation.

Providing various disability programs and services at one institutional level like in Germany, simplifies the bureaucratic process and makes disability management more efficient. Accordingly, the system can respond more immediately to beneficiaries’ changing conditions and thus minimize delays in return to work efforts. Also, a simpler disability management process removes employer disincentives to hiring people with episodic disabilities.
4.5 Country-Specific Outcomes

This sub-section provides comparative quantitative data on disabilities rates and expenditures, as well as employment rates of people with and without disabilities. Most of the data, which is derived from national surveys, pertains to the late 1990s and as such does not capture the effects of recent reforms that have taken place in the countries. Still, the empirical analysis provides evidence on the effect of certain benefit provisions on labour force participation of people with episodic disabilities.

Table 2 illustrates the prevalence of disability for the four countries under review in the late 1990s.\(^{31}\)

<table>
<thead>
<tr>
<th>Country</th>
<th>All disabled</th>
<th>Severely disabled</th>
<th>Moderately disabled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>18.8</td>
<td>6.1</td>
<td>12.7</td>
</tr>
<tr>
<td>Sweden</td>
<td>20.6</td>
<td>9.6</td>
<td>11.0</td>
</tr>
<tr>
<td>Germany</td>
<td>18.1</td>
<td>4.8</td>
<td>13.3</td>
</tr>
<tr>
<td>Canada</td>
<td>16.1</td>
<td>n.a.</td>
<td>16.1</td>
</tr>
</tbody>
</table>

Source: Adapted from Chart 3.1, OECD (2003b)

Overall, disability rates of the working age population are comparable for Germany (18.1%) and the Netherlands (18.8%). At 20.6%, the occurrence of disability is slightly higher in Sweden, which has also a higher incidence of severe disabilities (9.6%). The overall prevalence of disability is lowest in Canada (16.1%). These facts resonate with findings of other studies, stating that countries with a combined full and partial benefit system tend to have higher rates of people with disabilities.\(^{32}\) Consistent with earlier explanations, benefit eligibility is less stringent under partial benefit systems. Hence, the recognition of disabling conditions is likely to be broader under such provisions.

Table 2 further shows that moderate disabilities in the Netherlands (12.7%) and in Germany (13.3%) are considerably more prevalent among the working age population than are severe disabilities (6.1% and 4.8% respectively). These findings are relevant insofar as moderate

\(^{31}\) Definitions of disabilities in this section are based on self-assessments of those reporting a condition which limits general activities of daily living (see Appendix A for a more detailed definition). The reliance on subjective self-assessments reflects the challenge associated with comparing international data, as definitions and assessments of disability differ between countries (Mabbett, 2003).

\(^{32}\) See Dean (2004), or Mitra (2005).
disabilities are more likely to be episodic in nature. While specific data are missing, it is reasonable to infer that moderate disabilities may outnumber severe disabilities in Canada by a similar factor of 2 or more.

A further point of interest is the relationship between disability prevalence rates and expenditures on disability programs, which are illustrated in Table 3.

Table 3: Disability Program Expenditures, 1999

<table>
<thead>
<tr>
<th></th>
<th>Disability benefit, percentage of GDP</th>
<th>All disability-related programs, percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>2.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Sweden</td>
<td>2.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Germany</td>
<td>1.0</td>
<td>3.1</td>
</tr>
<tr>
<td>Canada</td>
<td>0.7</td>
<td>1.3</td>
</tr>
</tbody>
</table>

Source: Adapted from Table 2.1, OECD (2003b)

With 2.7% and 2.1%, shares of benefit expenditures in the Netherlands and in Sweden are significantly higher than in Canada (0.7%). At 4.6%, the share of expenditures of all disability-related programs in the Netherlands is nearly 2 percentage points higher than that of benefits alone (2.7%). In Sweden, expenditures on all disability programs are 4.7% and also more than double the rate of benefit expenditures (2.1%). In Canada, the ratio is similar, with expenditures on all programs (1.3%) being nearly double that of benefit expenditures (0.7%). This suggests that countries with a combined full and partial benefit have no greater proportionate expenditures for additional disability-related programs than do countries with only one full benefit.

Notably, Germany’s statistics show a different pattern than its European counterparts: at a rate of 3.1%, Germany’s expenditures on related disability programs are lower than in the Netherlands or in Sweden. At the same time, the rate is more than three times the share spent on benefits alone (1%) and much lower in Sweden or the Netherlands, in spite of similar disability prevalence rates. This suggests that in Germany people with disabilities are less dependent on benefits, possibly as a result of extensive government financed vocational rehabilitation, training, early intervention and return-to-work services. As illustrated earlier, in Sweden and in the
Netherlands, some of these responsibilities fall to the employer. The relevance of employment rates for this phenomenon is illustrated in Table 4.

Table 4: Employment Rate, Percentage of 20-64 Population, late 1990s

<table>
<thead>
<tr>
<th></th>
<th>All disabled</th>
<th>Severely disabled</th>
<th>Moderately disabled</th>
<th>Relative employment ratio disabled over non-disabled people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>39.9</td>
<td>26.5</td>
<td>46.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Sweden</td>
<td>52.6</td>
<td>33.8</td>
<td>69.0</td>
<td>0.7</td>
</tr>
<tr>
<td>Germany</td>
<td>46.1</td>
<td>27.0</td>
<td>52.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Canada</td>
<td>56.3</td>
<td>n.a.</td>
<td>n.a.</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: Adapted from Table 3.3 and Chart 3.6, OECD (2003b)

With 69% and 52.9%, Sweden and Germany’s employment rates of those with moderate – and thus potentially episodic - disabilities are nearly double that of people with severe disabilities (33.8% and 27% respectively). At 46.4%, employment rates for people with moderate disabilities are significantly lower in the Netherlands.

Column 4 shows that in all countries but the Netherlands, the ratio of employment of people with disabilities to non-disabled people is 0.7. However, Germany’s ratio of people with disabilities seems curious: given the nation’s average disability prevalence and the high share of people with moderate disabilities along with considerably lower expenditures on benefit payments, one might have expected a higher employment rate among this group. The lower share of expenditures on benefits in Table 3 suggests that employees with disabilities in Germany may be less dependent on benefits because of a higher work capacity compared to people with disabilities in the other countries. As column 2 does not show a higher employment rate of people with disabilities, I would suggest that those who are employed work potentially more because work capacities are improved as a result of the nation’s extensive rehabilitation, training and intervention measures.
In the absence of partial benefit, it seems surprising that the relative employment rate of people with disabilities in Canada is comparable to the other countries. A plausible explanation is that the share of people with disabilities, who are outside of the labour force and thus not accounted for in the analysis, differs widely between countries. Based on this argument, it is possible that the stated relative employment rate for Canada reflects that a considerable number of people with disabilities are inactive and do not look for work.

Of the countries under review, the Netherlands with its six partial disability categories has the poorest outcome for disability benefit expenditures and employment rates of people with disabilities. The Dutch’s system emphasis on employer responsibility is likely to impact adversely the recruitment and hiring of people with episodic disabilities. At the same time, because of the numerous benefit categories and their corresponding compensation levels, beneficiaries have little financial incentive to move from a higher to a lower paying category, should their condition improve.

The labour force participation of people with disabilities who do receive benefits is illustrated in Table 5.\textsuperscript{33}

\textbf{Table 5: Work Status of Disability Benefit Recipients, Percentages, late 1990s}

<table>
<thead>
<tr>
<th></th>
<th>Employed</th>
<th>Unemployed</th>
<th>Inactive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>67.8</td>
<td>9.6</td>
<td>22.6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>22.4</td>
<td>19.1</td>
<td>58.5</td>
</tr>
</tbody>
</table>

(Source: Adapted from Chart 3.7, OECD (2003b))

In Sweden, 67.8\% of beneficiaries are employed and 22.6\% are inactive, meaning outside the labour force. In the Netherlands, the numbers are almost reversed: 22.4\% are employed versus 58.5\% being inactive. These facts confirm the above analysis that the Dutch disability system generates disincentives to labour force participation. In Sweden, in contrast, more than two out of three beneficiaries are employed.

4.6 Summary of Key Findings

This sub-section summarizes the key outcomes derived from my case study of international disability benefit systems. Regarding labour force participation:

\textsuperscript{33} Data for Germany is not available.
> **Employer obligations pose disincentives to hiring people with episodic disabilities**

Financial obligations make people with episodic disabilities a liability to employers: higher employer contributions in case of an above average incidence of disability at the work place provides disincentives to hiring people with episodic disabilities in the Netherlands. The same applies to assigning responsibilities for return-to-work and rehabilitation services to employers. More numerous employers’ obligations lead to worse employment outcome for people with disabilities. (Netherlands).

> **Too many disabled categories reduce incentives to work**

A system with a high number of benefit categories provides fewer financial incentives to move to a lower, less paying disability category should an individual’s condition improve. With six partial benefits like in the Netherlands, income gains due to higher employment earnings are possibly too marginal to generate an incentive to move to a less paying disability category. Greater labour force participation may not be considered financially worthwhile.

> **Investing in related disability programs can increase labour force participation and can keep overall costs down**

Vocational rehabilitation, training and early intervention measures prevent episodic disabilities from deteriorating and thus improve work capacities. In Germany, where the government provides such services, the costs of related programs and benefits relative to GDP are lower than in the other two European countries. The system’s emphasis on program integration allows for greater efficiency in delivering disabled services and in responding to individuals’ changing conditions. In addition to lowering costs, this efficiency also serves to improve labour force participation on account of minimizing delays. Employees with episodic disabilities are subsequently less dependent on benefits as labour force participation increases.

> **Combining full/partial systems fosters labour force participation**

A system with three partial benefit categories, ‘benefit on-hold’ provisions and wage subsidies appears to strongly support labour force participation: beneficiaries in Sweden have high employment rates, and a relatively low share of inactivity.\(^{34}\) A more in-depth analysis of the effects of the two types of disability systems on labour force participation would benefit from additional evidence on people outside the labour force.

> **Disabilities are more prevalent in countries with combined full/partial benefits**

\(^{34}\) ‘Inactivity’ refers to beneficiaries outside of the labour force.
Reflective of the less stringent entitlement criteria of partial benefit systems, definitions of disabilities are more inclusive under combined benefit systems, and a greater number of conditions of fluctuating degrees of severity are considered disabling. The international examples illustrate how institutional provisions can alter perceptions about prevailing concepts of disability.

- The majority of disabilities are potentially episodic in nature

Moderate disabilities are considerably more likely to be episodic in nature than are severe disabilities. The higher rate of moderate disabilities among the working age population in all countries reviewed confirms the need for disability policies that address residual work capacities.

- Combined full/partial systems may have higher benefit expenditures relative to GDP but disability program expenditures relative to benefit costs are comparable

Less stringent entitlement criteria of partial benefits increase the number of individuals eligible for benefit. As a result, the share of benefits paid may increase relative to GDP. The Netherlands and Sweden show considerably higher benefit expenditures in percent of GDP than Canada. The relative requirement for additional disability programs is similar under both systems: all three countries have a comparable rate of expenditures for related programs relative to benefit costs.

This section has shown that international evidence confirms the need for disability policies that address residual work capacities of people with episodic disabilities. Operating systems with a combined full/partial benefit is possibly more costly; however, labour force participation can increase provided (a) the number of multiple partial categories is limited, (b) employer obligations are targeted and (c) intervention and rehabilitation measures are in place. Rehabilitation and early intervention are particularly important to potentially improve the work capacity of people with episodic disabilities. These provisions typically go hand-in-hand with partial benefit options, thus making the concept all the more important to strengthening employment. While existing data show that labour participation is higher in terms of overall hours worked under some combined full/partial systems, more research is needed to determine how such systems affect the actual number of people employed.

In the next section, I take a closer look at the domestic situation, and provide an in-depth account of full and episodic disability in Canada.
5 Disability and Work in Canada

An analysis of prevailing conditions in Canada is necessary to my evaluation of policy strategies concerning labour force participation of people with episodic disabilities. To this end, I discuss relevant aspects of disability in Canadian society, and present survey findings from people with disabilities and from employers in an attempt to identify specific barriers to labour force participation.\(^{35}\)

5.1 A Profile of Disability

Nearly 2 million people of Canada’s working age population (15-64 years) are afflicted with at least one type of disability. As Figure 2 shows, disabilities are most prevalent among the older working age population.\(^{36}\)

\(^{35}\) The facts presented in this section exclude the populations of the Canadian territories.

\(^{36}\) Statistics Canada (2007) adopts the disability framework of the World Health Organization (WHO) for defining disability: “persons with disabilities are those who reported difficulties with daily living activities, or who indicated that a physical, mental condition or health problem reduced the kind or amount of activities they could do.” The survey sample of approximately 35,000 adults and 8,000 children comprised individuals who answered YES to activity limitations questions on the 2001 Census (Statistics Canada, 2007). See Appendix A for a more detailed definition of limitations to daily living activities.
Figure 2: Prevalence of Disability as a Percentage of Working Age Population, 2001

Overall, 17% of people aged 45-64 are afflicted with at least one type of disability, compared to fewer than 4% among the 15-24 year age group. Given Canada’s aging labour force and the greater incidence of disability among the older working age population, this group is of particular interest.

Table 6 shows that mild disabilities are the most common category (30.3%) within the older group.37

Table 6: Severity of Disability for Adults with Disabilities aged 15-64, as Percentage of all Disabilities, 2001

<table>
<thead>
<tr>
<th>Age groups</th>
<th>Level of severity of disability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mild</td>
</tr>
<tr>
<td>15-24</td>
<td>45.8</td>
</tr>
<tr>
<td>25-44</td>
<td>34.8</td>
</tr>
<tr>
<td>45-64</td>
<td>30.3</td>
</tr>
</tbody>
</table>

Source: Statistics Canada (2007)

37 The level of severity depends on the frequency and intensity of limitations associated with each type of disability. For example, a person who has no difficulty walking and climbing stairs but cannot stand in line for more than 20 minutes, would have a mild mobility-related disability. A person who can only move around in a wheelchair would have their mobility more severely limited, and one who is bedridden for a long term period would have a very severe mobility-related disability (Statistics Canada, 2007).
Collapsing the categories ‘mild’ and ‘moderate’ shows that 55% of the older working age population are afflicted with levels of disabilities that are more likely than the other categories to be episodic in nature. Figure 3 provides more insight into the most common types of disabilities afflicting working age Canadians.38

Figure 3: Prevalence of Types of Disabilities among Adults 15-64, Percentage of Total Working Age Population, 2001

Source: Statistics Canada (2007)

The most frequent types of disabilities are pain, mobility and agility, with a prevalence of 7.5%, 6.6% and 6.2% respectively. The remaining seven disability conditions fall well below the 2.5% mark. Importantly, the three most common types of disabilities, pain, mobility and agility, along with psychological disabilities are potentially episodic in nature, as these conditions have symptoms that typically fluctuate from time to time. In fact, Statistics Canada explicitly states that the condition of long-term pain, which is the most common type of disability, may either be chronic or recurrent.

An analysis of the link between disability and labour force participation must consider possible effects of educational attainment. Table 7 shows a number of similarities in educational attainment levels for adults with and without disabilities.

38 See Appendix C for detailed definitions of all types of disabilities.
**Table 7: Level of Educational Attainment as Percentage of the Respective Working Age Population, 2001**

<table>
<thead>
<tr>
<th></th>
<th>Adults with disabilities</th>
<th>Adults without disabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than high school</td>
<td>37.0</td>
<td>25.3</td>
</tr>
<tr>
<td>High school</td>
<td>23.0</td>
<td>26.8</td>
</tr>
<tr>
<td>Trades certificate or diploma</td>
<td>12.6</td>
<td>11.0</td>
</tr>
<tr>
<td>College</td>
<td>15.8</td>
<td>16.5</td>
</tr>
<tr>
<td>University</td>
<td>11.4</td>
<td>20.4</td>
</tr>
<tr>
<td>Not specified</td>
<td>0.2</td>
<td>--</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Statistics Canada (2007)*

Both groups have similar college rates: 15.8% of adults with disabilities compared to 16.5% of adults without disabilities. The respective numbers for trades certificate or diploma completion rates are 12.6% and 11%. Differences between the two groups are apparent at both ends of the education attainment scale: at 37%, the rate of adults with disabilities who have not completed high school is about 12 percentage points higher than the rate for non-disabled people. At a rate of 11.4%, 10% fewer people with disabilities have completed university than have non-disabled adult (20.4%). While significant, the discrepancy between high school and university completion rates seems insufficient to explain the wide gap in labour force participation as shown in Table 8.

**Table 8: Labour Force Activity as Percentage of the Respective Working Age Population, 2001**

<table>
<thead>
<tr>
<th></th>
<th>Adults with disabilities</th>
<th>Adults without disabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>41.5</td>
<td>73.8</td>
</tr>
<tr>
<td>Unemployed</td>
<td>5.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Not in labour force</td>
<td>49.0</td>
<td>20.6</td>
</tr>
<tr>
<td>Not specified</td>
<td>4.5</td>
<td>n.a.</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Statistics Canada (2007)*
Among adults with disabilities, 41.5% are employed compared to 73.8% of non-disabled adults. The unemployment rate of people with and without disabilities is comparable at 5% and 5.6% respectively. But with 49%, nearly one in two people with disabilities are not in the labour force. The rate is nearly 2.5 times that of non-disabled adults who are outside the labour force (20.6%). Similarly striking, the rate is more than double that of Sweden’s inactive beneficiaries (22.6%). Even though at 0.7 the relative employment rate for Canada and Sweden was the same (Table 4), the vast difference in the share of people with disabilities outside the labour force indicates that employment in Sweden is considerably higher than in Canada. This analysis and the facts on educational attainment suggest that other factors act as barriers to labour force participation for people with episodic disabilities. The next section seeks to explore such barriers in greater detail.

5.2 People with Disabilities’ View on Barriers to Employment

In 2003, the Canadian Abilities Foundation completed a nation-wide survey of 1,200 working age people with both chronic and episodic disabilities.39 The majority of those surveyed were employed (57%), with most respondents working in the public sector (43%), followed by the non-profit sector (35%) and the private sector (22%). Unemployed respondents accounted for 44% of the sample, while 31% were actively looking for work as opposed to 13% who did not.

The survey reveals that employment continues to be among the highest concern for Canadians with disabilities, regardless of recent efforts to promote labour force integration. A vast majority of people with disabilities (62%) indicate their preference for full-time employment, while 23% prefer working on a part-time basis. In other words, 85% of working age adults with disabilities express a desire for some type of labour force attachment, yet as shown in the previous section, in actuality almost half of this population group is not in the labour force. Clearly, there is a large gap between professional aspirations and the prevailing situation.

Despite a strong preference for full-time employment opportunities, respondents repeatedly express their need for flexible work options. The most common reason cited in favour of this option is that symptoms of chronic illnesses wax and wane, and that flexible work schedules would allow employees to work in accordance with their ability to function at a given time. In identifying barriers to employment, nearly half of the respondents agree that they are

39 The facts presented in this section and in section 5.3 are taken from the Canadian Abilities Foundation (2004). The survey does not differentiate between respondents afflicted with chronic and episodic disabilities.
unable to find employers who are either willing or able to offer flexible job duties or flexible work schedules (see Figure 4).

**Figure 4: Barriers to Employment: Employer Attitudes and Practices**

![Bar chart showing barriers to employment](chart)

*Source: Canadian Abilities Foundation (2004)*

Respondents rank employers’ reluctance to hire people with disabilities as the greatest employer-related barrier to labour force attachment (72%). Still, at a response rate of 48%, concerns over finding employers with flexible working conditions are high among people with disabilities.

Other barriers to labour force participation concern the structure of benefit provisions. As Table 9 illustrates, fear of losing disability benefit in case of employment poses a barrier to some because of uncertainties over eligibility for potential future benefits. Again, this barrier is likely to be particularly relevant to people with episodic disabilities in light of fluctuating capacities to work.

**Table 9: Importance of Retaining Disability Benefits and Support**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>All respondents</td>
<td>20%</td>
</tr>
<tr>
<td>Workers with part-time jobs</td>
<td>25%</td>
</tr>
<tr>
<td>Those who worked for one year or less in the last five years</td>
<td>24%</td>
</tr>
<tr>
<td>Job seekers who have not worked at all in the last five years</td>
<td>48%</td>
</tr>
</tbody>
</table>

*Source: Canadian Abilities Foundation (2004)*
Overall, 20% of all respondents agree that the threat of losing benefit would make them reluctant to work, while the majority of respondents (52%) disagree with the statement. Also, the importance of retaining some types of benefits in the event of employment is directly related to individuals’ experience with employment: 48% of respondents who hadn’t worked in the previous five years expressed their reluctance to do so for fear of loss of benefits. Table 10 shows the responses to ranking five different financial incentives in terms of their effectiveness to reduce unemployment for people with disabilities.

<table>
<thead>
<tr>
<th>Table 10: Effectiveness of Financial Employment Incentives, in Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Financial incentives for employers</td>
</tr>
<tr>
<td>Most effective: 37</td>
</tr>
<tr>
<td>Second most effective: 24</td>
</tr>
<tr>
<td>Total: 61</td>
</tr>
<tr>
<td>Retention of pre-employment benefits</td>
</tr>
<tr>
<td>Most effective: 24</td>
</tr>
<tr>
<td>Second most effective: 22</td>
</tr>
<tr>
<td>Total: 46</td>
</tr>
<tr>
<td>Financial incentives for workers</td>
</tr>
<tr>
<td>Most effective: 21</td>
</tr>
<tr>
<td>Second most effective: 16</td>
</tr>
<tr>
<td>Total: 37</td>
</tr>
<tr>
<td>Staged reduction in disability benefits</td>
</tr>
<tr>
<td>Most effective: 10</td>
</tr>
<tr>
<td>Second most effective: 19</td>
</tr>
<tr>
<td>Total: 29</td>
</tr>
<tr>
<td>Vouchers for costs of support services</td>
</tr>
<tr>
<td>Most effective: 9</td>
</tr>
<tr>
<td>Second most effective: 16</td>
</tr>
<tr>
<td>Total: 25</td>
</tr>
</tbody>
</table>

Source: Canadian Abilities Foundation (2004)

People with disabilities rank ‘financial incentives for employers’ as the most effective (37%) as well as the second most effective employment incentive (24%). ‘Retaining pre-employment benefits’ takes second rank in case of both ‘most effective’ and ‘second most effective’ categories. Providing workers with financial incentives ranks third as the most effective measure to reduce unemployment of people with disabilities. Hence, people with episodic disabilities believe that of all the options presented, incentives for employers are the most effective means to promote employment. The next section illustrates the employers’ view.

5.3 Employers’ View on Barriers to Employment

As the group who hires and who is directly confronted with the management of episodic disability at the workplace, employers are another source for identifying barriers to labour force participation. As part of its nation-wide survey in 2003, the Canadian Abilities Foundation conducted approximately 50 in-depth consultations with employers of various sizes from all parts
of the country. The majority of these employers state that they have had few if any experience in hiring people with disabilities.

Employers with employees with disabilities cite a number of workplace accommodations they provide, including modified duties and hours of work. At the same time, employers repeatedly express the need for all employees to be equally productive in order for their business to remain competitive. While employers emphasize that employees’ skills and qualifications are most relevant to the hiring process, the survey results show that qualifications appear to be primarily equated with employees’ abilities to be equally productive.

Despite making productivity the main priority, many employers readily acknowledge that they too need to take responsibilities in favour of greater labour force participation of people with disabilities. Larger employers tend to dismiss financial incentives to employers as a determining factor for hiring people with disabilities. Many smaller employers, on the other hand, favour a wage top-up by the government for those individuals unable to reach full potential.

Similar findings regarding conflicting priorities within organizations emerge from a study conducted in British Columbia (BC). In 2004, the Minister’s Council on Employment for Persons with Disabilities and the British Columbia Ministry of Human Resources commissioned a survey of over 500 employers in BC. One third of those surveyed had employees with disabilities, and two thirds expressed that their managers had a high level of awareness of disabilities. Employers acknowledge that efforts to reduce barriers to labour force attachment for people with disabilities have been rather modest. Table 11 outlines most commonly available work supports, as expressed by respondents who could select more than one possible answer.

**Table 11: Work Supports Available, in Percentages**

<table>
<thead>
<tr>
<th>Work Support</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide a friendly and supportive work environment</td>
<td>33</td>
</tr>
<tr>
<td>Flexible work hours</td>
<td>28</td>
</tr>
<tr>
<td>Workplace support for people with disabilities</td>
<td>22</td>
</tr>
<tr>
<td>Skills training</td>
<td>22</td>
</tr>
<tr>
<td>Modify or provide assistance with job tasks</td>
<td>22</td>
</tr>
<tr>
<td>More suitable evaluation procedures</td>
<td>10</td>
</tr>
</tbody>
</table>

*Source: WCG International Consultant (2004)*

40 The facts presented in the remainder of this section are taken from WCG International Consultant Ltd. (2004).
Overall, 33% of employers state that they provide a friendly and supportive work environment. ‘Providing flexible work hours’ takes second rank (28%) as an available work support. When ranked by employers with employees who have disabilities, the option features considerably more prominent at close to 50%.

When asked what type of assistance would be most useful to hiring or retaining a person with disabilities, 27% of employers identify funding for training people with disabilities as most desirable, followed by funding for modifications to the workplace (26%) and funding for incentives/wage subsidies (25%). A number of other types of assistance cited score considerably lower. While on average, employers think that government programs should be responsible for providing assistance (38%), an almost equally high number of employers who have employees with disabilities say that employers should take up that responsibility.

In the context of government-employer relations, employers cite that having to deal with a number of different disability programs and providers poses a barrier to hiring and retaining people with disabilities. Employers express a preference for greater simplicity afforded under a single, universal government outlet that serves as a ‘one-time-stop’ for dealing with all workplace related disability management aspects. Of greater concern are uncertainties over the level of productivity of people with disabilities. A recurring topic in the survey is the risk that results from employees’ fluctuating abilities to work due to health conditions.

### 5.4 Key Findings

Here are key findings about barriers to labour force participation for people with episodic disabilities.

- **Nearly one in two people with disabilities are not in the labour force**

In Canada, the share of inactive people with disabilities outside the labour force is nearly two and a half times that of non-disabled adults. The share is more than double that of Sweden’s disability beneficiaries, whose unemployment rates are comparable to Canada. This suggests that regardless of similar relative employment rates, labour force participation of people with disabilities is considerably higher in Sweden on account of its partial benefit system.

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41 The report does not specify the exact percentage value.
42 These types of assistance included ‘networks to create partnerships for recruiting people with disabilities’, information on how to recruit disabled people’, ‘training course for staff on how to assist co-workers with disabilities’, ‘disability awareness material or course for staff, and ‘program providing workplace support’ (WCG International Consultant Ltd., 2004, Figure 10).
Differences in educational attainment levels of people with and without disabilities do not explain differences in labour force participation

People with disabilities have somewhat lower high school and university completion rates. Educational attainment rates for college and trades certification completion, in contrast, are comparable to non-disabled people. This clearly indicates that education is insufficient to explain the significant difference between these two groups' labour force attachment.

Professional aspirations are unmatched by employment realities

The vast majority of people with disabilities want to work; yet only a small percentage does. Because of fluctuating conditions, people with disabilities repeatedly express the need for flexible work arrangements, such as a reduction in hours of work. At the same time, the vast majority expresses a preference for full-time employment. The international examples show how combining partial benefit with part-time work can provide income security. Characteristic of the Dutch and the Swedish system, various partial benefit categories allow for income compensation in accordance with people's residual work capacities. Fear over losing pre-employment disability benefits poses a work disincentive primarily for those with little or no employment history. The Swedish regulation, enabling beneficiaries to put disability benefits on hold for up to two years, illustrates one possible solution to this barrier.

Employees and employers have diverging perceptions on employment barriers

People with disabilities claim that employers are: (a) reluctant to hire employees with disabilities and (b) unwilling or unable to provide flexible work options. Employers, in contrast, express their interest in recruiting employees with disabilities, and they largely confirm the availability of flexible work arrangements. Employers point to conflicting priorities: while acknowledging the need to take responsibility, employers express strong concerns over jeopardizing their business' productivity through hiring people with disabilities. With some exceptions, financial incentives for training and wage subsidies are the most desirable form of support to offset productivity losses. Wage subsidies are available in Sweden, where employment rates of people receiving a partial disability benefit are estimated at approximately 50%.

Greater program simplicity and integration promote labour force participation

Complex and lengthy administrative procedures preceding a return to work can unduly undermine active labour force participation of people with episodic disabilities. The burden of having to deal with numerous different authorities creates disincentives to recruit employees with
episodic disabilities. The case of Germany illustrates the advantages of a more integrated
disability benefit system in favour of greater efficiency and subsequent cost savings.

Considering that the majority of disabilities for all age groups are either mild or moderate
in nature, with pain, mobility and agility leading the list of the most frequent types of disabilities,
and considering that older working age Canadians are more than four times as likely to suffer
from at least one type of disability than are 15-24 year olds, it is time to develop new policies in
Canada to allow for partial disability benefits. This seems all the more necessary that Canada’s
population is rapidly aging. With a looming shortage of skilled labour, partial benefit options may
serve to keep an aging workforce off full benefits or early retirement. The rest of this study
suggests partial benefit policies and evaluates them.
6 Policy Objectives and Alternatives

The ultimate goal of an effective disability policy is to integrate fully people with episodic disabilities into mainstream society and, as argued in this study, one of the main ways to achieve this goal is through labour force activity. Traditional perceptions that tend to equate episodic disabilities with being unemployable are no longer considered acceptable. Instead, people with episodic disabilities have the right and responsibility to participate in the labour market, as warranted by their conditions. This may only be achieved through a comprehensive disability program. In the following section, I define the immediate objectives that must govern such a program and that inform the selection of policy alternatives I propose afterwards.

6.1 Policy Objectives

I identify three objectives for a reformed public disability pension system:

1. Foster labour force participation of people with episodic disabilities;
2. Ensure stable income support for lost earnings due to work incapacity;
3. Keep social program costs down.

Greater labour force participation serves the social and financial interests of people with episodic disabilities, along with benefiting the economy as a whole. A comprehensive disability system must minimize barriers to employment of this group: beneficiaries should be financially rewarded for increasing their labour force participation at the cost of foregoing some or all benefits. Also, regulations governing labour force participation must not jeopardize entitlement to potential future benefits. Keeping employers' obligations to a minimum, providing financial support and simplifying disability management at the workplace all contribute to firms' productivity and thus serve to remove barriers to hiring people with episodic disabilities. Rehabilitation and early intervention measures deserve particular attention: not only do they prevent episodic disabilities from worsening, they can significantly improve individuals' conditions and their capacity to work. As seen in sections 4.3 and 4.5, in Germany, where the

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43 The view expressed here is that of a director of a consultation service, specializing in employment issues of people with disabilities. See footnote 45 for more detail.
government invests extensively in early intervention and rehabilitation services, benefit expenditures as a share of GDP are considerably lower than in the Netherlands or in Sweden. Such services are crucial components of sustainable disability benefit programs. They provide income security while constantly improving beneficiaries’ potential for greater self-reliance. Also supporting labour force participation are time-limited benefit components, as conditions are not assumed to be permanent, and continued eligibility for benefits necessitates periodic reassessments of a capacity to work. In addition, greater program integration and simplicity of administering disability cases allow for more immediate responses to changing conditions, thereby enabling timely labour re-integration.

The most common types of disabilities in Canada are potentially invisible and episodic in nature, and they disproportionately affect the older working population. Following 15 weeks of sickness benefits under employment insurance, people with episodic disabilities’ only option might be to turn to ‘the income program of last resort,’ social assistance. Hence, a significant portion of working age adults may be lacking stable incomes at times of work incapacities. A comprehensive disability scheme can overcome the void by incorporating more inclusive definitions that recognize the concept of partial disabilities. Partial benefit categories diminish the reliance on benefits alone for income, and different levels of compensation for lost earnings ensure a stable income in spite of fluctuating labour force participation. In addition, better-integrated programs and less complex administrative procedures promote a timely re-instatement and delivery of benefits.

A well-designed disability pension system allocates financial support efficiently in favour of minimizing costs. Provisions aimed at (a) preventing episodic disabilities from deteriorating and (b) restoring people’s work capacities reduce the reliance on benefits. Subsequent lower benefit expenditures and the increase in individuals’ productivity can deliver significant savings. In addition, program integration promotes cost efficiency because it minimizes overlaps, enables better monitoring of disability cases and streamlines administrative procedures.

In summary, I propose policy alternatives for a partial disability programme and evaluate them in accordance with the following conditions:

- Create a continuous disability assessment system that accommodates fluctuating residual work capacities;
- Design a disability system with a scale of compensation levels;
• Create incentives for people with episodic disabilities to optimise their work capacity and readiness;
• Reduce recruitment and hiring disincentives for employers;
• Maximize the efficiency of disability support programs and benefit allocation.

6.2 Policy Alternatives

Canada’s prevalent system is taken as the status quo, which serves as a benchmark for subsequent policy alternatives. Key findings from the international country studies and from stakeholder surveys on disability and work in Canada serve to select the specific features of three policy alternatives aimed at reforming the federal system. Given the numerous disability programs provided by the provinces, creating a partial system at the provincial level appears also a feasible option and makes up the fourth policy alternative.

6.2.1 Policy Alternative I: Status Quo

With a few exceptions, the main provisions of Canada’s current disability system have essentially remained unchanged since the benefits’ inception four decades ago. The status quo has the following features:

• Disability is defined as total work incapacity: applicants are considered fully disabled or fully able to work.
• One full benefit is awarded if an applicant has no residual work capacity to work in any job on a regular basis because of a disability. The benefit is contributory-based: beneficiaries must have paid into the system for at least four of the last six years.
• Beneficiaries are subjected to an allowable earnings exemption, which currently amounts to $4,200 annually; earnings beyond that amount are offset on a dollar-for-dollar basis; additional earnings may also jeopardize the disability status.
• The federal government administers CPP-D and pays compensation for lost earnings. Compensation is based on a fixed amount and on past contributions.
• Vocational rehabilitation under CPP-D is mandatory for those deemed to have employment potential; the federal government is responsible for providing the service.
• A three month paid work trial allows beneficiaries to try a return to work without jeopardizing their benefit status; no further benefits are paid beyond three months; a ‘fast-track’ provision re-instates full benefits in case an individual’s condition worsens within two years of the return-to-work.

6.2.2 Policy Alternative II: the Multiple Benefit

The multiple benefit model is inspired by the Swedish system. It combines one full with three partial benefits.

• Disability is defined in accordance with a residual capacity to work. Disability categories correspond to the lost earnings capacity as a percentage of pre-disability earnings.

• To qualify for full benefit, an individual’s earnings must be reduced by more than 80% (i.e., residual capacity to work below 20%). Three partial benefit levels correspond to reduced earnings capacities of 75%, 50% and 25%. The benefit is contributory-based: beneficiaries must have paid into the system for at least four of the last six years.

• Recipients of partial benefits may earn the equivalent of their residual capacity. Accordingly, a partial benefit in the 75% category may be topped up with earned income from a part-time position at a level of 25% of pre-disability earnings. Employment beyond that point results in a re-assessment of the disability designation: a worker may be transferred from one partial disability category to another. Full beneficiaries may not pursue any form of paid employment that exceeds the allowable earnings exemption.

• The level of compensation for lost earnings is equal to the work incapacity as a percentage of the full benefit amount. The federal government administers full and partial benefits under the CPP-D and pays compensation for lost earnings. For example, a worker in the 75% benefit category is compensated for lost earnings at a level of 75% of the full benefit amount. Thus, partial beneficiaries have a financial incentive to increase their labour force participation.

• Providing return-to-work and rehabilitation services is the responsibility of employers. This obligation increases incentives to create favourable workplace conditions that prevent conditions from worsening. Employers may receive a wage subsidy for employees with episodic disabilities on partial benefits. This financial incentive to hiring personnel from this group may offset potentially adverse effects of increased employer obligations.
• Beneficiaries retain their disabled designation regardless of the level of work they engage in. Partial beneficiaries who are unable to secure part-time employment in accordance with their residual work capacity may supplement the benefit with income from their home province’s social assistance program.

6.2.3 Policy Alternative III: the Dual System

The dual system is inspired by the German benefit scheme. It combines one full with one partial benefit. The dual system shares a number of provisions with policy alternative II, except for the following:

• Disability categories correspond to a worker’s reduction in work hours. To qualify for full benefits, an applicant’s residual capacity to work must be less than one third (or three hours) of a regular workday. A partial benefit is awarded in case the residual capacity to work falls between three to six hours per day.

• Compensation for partial benefit is half the amount of the full benefit, regardless of whether the remaining ability to work is three or six hours.

• The federal government assumes responsibility for financing and facilitating early intervention, rehabilitation and return-to-work measures.

• Larger employers are obliged to hire a certain percentage of employees with disabilities. There are no wage subsidies under this option.

6.2.4 Policy Alternative IV: the Provincial Model

The provincial model is inspired by the Swedish system in that it vests regional authorities with powers. Under this model, the federal government delegates the administration of disability benefits to the provinces and territories.44

This alternative was endorsed by the director of a consultation service, specializing in employment issues of people with disabilities.45 This interviewee emphasized the need for greater system simplicity. He explained that by the time all the necessary information were submitted and approved by the respective authorities in order to facilitate a return to work, episodic conditions

44 The term ‘province’ is used henceforth to include Canada’s territories.
45 This interviewee reports having repeatedly advised the federal and provincial governments on matters concerning disability and employment. He has provided consultation services to the United Nations and has worked closely with a number of disability organizations. I conducted the face-to-face interview on February 28, 2007.
had often recurred. Furthermore, such efforts were undermined by the requirement to involve both levels of government. The interviewee cautioned that splitting the responsibility for administering full and partial disability benefits between federal and the provincial governments would cause tensions over the allocation of responsibilities. To illustrate the potential inefficiency of a joint administration, he pointed out that only as of recent had the federal and the provincial governments accepted each other's medical forms for the adjudicative process.

The provincial model administers one full and three partial disability benefits under a separate disability act of the provinces' social assistance programs. The model's structure is identical to policy alternative II, except:

- The obligation to compensate for lost earnings and to provide return-to-work and rehabilitation services falls to the provincial governments.
- There are no wage subsidies.
- The provincial model is a non-contributory, universal system. The federal government transfers the grants needed to finance disability benefits. The federal government retains the authority to draw up and direct disability policy. It closely monitors the administration of disability benefits. In this way, the provinces are held accountable for federal monies transferred through multilateral labour agreements.

### 6.2.5 Additional Considerations

An alternative that might spring to mind in considering reform options is to expand CPP-D's allowable earnings exemption. Under this option, people with episodic disabilities would retain their disability designation regardless of how much they worked. Earnings beyond the allowable exemption would be offset on a dollar-for-dollar basis, and monthly benefits would vary in accordance with hours worked.

I do not consider this option feasible for a number of reasons. In the absence of pre-established benefit categories that correspond to specified levels of work capacities, it is not clear under what type of criteria people with episodic disabilities might qualify for benefits. After all, episodic conditions are often not considered severe enough to qualify under the current system. The lack of partial benefit categories leaves decisions over work attendance and absenteeism largely at the discretion of the beneficiary. Aside from the difficulty that arises from having to calculate benefits that can fluctuate every month, uncertainties over an employee's work attendance jeopardize a firm's productivity and competitiveness. From the perspective of an
employer, the predictability of a reduced but fixed work schedule is preferable to fluctuating labour attachment with potentially longer hours of work.

Further, I am dismissing a benefit system with more than three partial benefit categories on account of the Dutch experience. With its six partial benefit categories, the Dutch system exhibits the highest disability benefit expenditures and the greatest inflow of partial disabled cases compared to the other countries reviewed in section 4.2. Also, the employment rates for people with disabilities are lowest in the Netherlands.
7 Measuring and Evaluating the Policy Alternatives

To evaluate the proposed policy alternatives, I use a number of criteria which address four issues: effectiveness, acceptability, equity and cost. The criteria measure each policy’s strengths and weaknesses in accordance with the established policy objectives. Each criterion is assigned a benchmark measure by which to assess the criterion’s performance. The measurement is then ranked along a performance scale of ‘very high’, ‘high’, ‘medium’, ‘low’ and ‘very low’. To facilitate the comparison between the policy alternatives, I allocate quantitative values to each rating. This technique allows me to present an overall evaluation in form of an index score. To this end, I allocate the values of 0, 2.5, 5, 7.5 and 10 to the very low, low, medium, high and very high score respectively. Where a criterion, such as effectiveness, is broken down into a number of sub-criteria, I provide a calculation of the average section score in favour of presenting an equally weighted analysis.

7.1 Criteria and Measurements

- **Effectiveness.** Effectiveness evaluates two criteria which address the following questions: does the policy provide incentives to increase the labour force participation of people with episodic disabilities? Does it optimise residual work capacities, increase employment rates, and keep beneficiaries off full benefits? If inactivity of people with episodic disabilities is below 20 percentage points, I consider the policy’s effectiveness for labour force participation very high. I consider it very low if inactivity is above 50 percentage points.

  In addition, how effective is the policy in ensuring income security? How inclusive are the benefit eligibility criteria? Do people with episodic disabilities readily qualify for benefits? How well does the level of compensation reflect a person’s degree of incapacity? Does the system correspond to fluctuating conditions and abilities to work? Effectiveness of income security is considered very high under a system with more than three partial categories. A ‘very low’ score corresponds to a system entirely lacking a residual capacity concept.

- **Acceptability.** This criterion weighs benefits and risks for each of the three main stakeholders. Does the system respond to changing conditions in a timely manner? Do
beneficiaries retain their disabled designation in the event of employment? Is the benefit flexible to accommodate fluctuating residual work capacities? Acceptability among people with episodic disabilities is considered very high in case of a regular re-assessment process every six months. Acceptability among this group scores ‘very low’ if the system does not monitor conditions.

Acceptability among employers evaluates the policy’s potential to minimize employer risks and obligations. Does the government support disability management at the workplace? Does the policy support employee productivity and business competitiveness? Acceptability scores ‘very high’ in case the government provides subsidies and rehabilitation services. A ‘very low’ score is assigned to policies that do not entail any type of government intervention.

Whether the government has the necessary resources to implement the policy is assessed under political acceptability. The criterion further evaluates the policy’s effect on the allocation of powers at different jurisdictional levels. Does the policy require substantial legislative changes? How simple is the alternative’s design, implementation and enforcement? How well is it integrated with other support programs? How does it fit into the existing framework? I consider political acceptability very high if no legislative amendments are required. A policy necessitating major changes at both levels of government, in addition to requiring a different source for financing the benefit receives a ‘very low’ score.

• **Equity.** This criterion evaluates the system’s accessibility and whether the benefit is distributed equitably. Are there winners and losers under the system? Who benefits and who pays? Do all people, whose episodic disabilities cause work incapacity, have equal access to a disability benefit? Is the benefit portable? Are benefits distributed equitably across jurisdictions? I consider equity to be very high in case a policy provides universal access to people whose episodic condition causes minor work incapacity. Equity is very low if a benefit is contributory based and if entitlement requires full incapacity to work.

• **Cost.** This criterion estimates the cost effectiveness of each policy per beneficiary. Three types of costs are taken into account. First, I provide the benefit cost, which is calculated as:

\[
\text{Benefit cost} = (\text{full benefit amount per capita} \times \text{the percentage of full beneficiaries}) + (\text{partial benefit amount per capita} \times \text{the percentage of partial beneficiaries})
\]

Secondly, I calculate the administrative cost, which is:

\[
\text{Administrative cost} = \frac{\text{total annual administrative costs}}{\text{the number of beneficiaries}}
\]
Thirdly, I state the opportunity cost,\textsuperscript{46} which account for foregone earnings by beneficiaries such that:

\[
\text{Foregone earnings} = [(\text{average income of persons with disabilities}) \times \text{(percentage of residual work capacity)})] \times \text{percentage of beneficiaries wishing to work.}
\]

An overview of the criteria, definitions and measurements used for the policy evaluation is available from Table 12.

\textsuperscript{46} The cost of foregone government resources has also been considered. However, it is not possible to determine with certainty if and to which degree the alternatives are affected by this opportunity cost. As such, the cost of possible foregone government resources is excluded from the evaluation of each option’s cost effectiveness.
Table 12: Criteria and Definitions of Measurement Tools

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Definition</th>
<th>Measurement</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effectiveness</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour force participation</td>
<td>Strengthening labour force participation for episodically disabled</td>
<td>Inactivity rate &lt; 20% ..................................................................................</td>
<td>Very high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20-30% ..........................................................................................................</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30-40% ..........................................................................................................</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40-50% ..........................................................................................................</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; 50% .............................................................................................................</td>
<td>Very low</td>
</tr>
<tr>
<td>Income security</td>
<td>Benefit structure and entitlement correspond to fluctuating residual capacities to work</td>
<td>&gt; 3 partial categories ..................................................................................</td>
<td>Very high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 partial categories ....................................................................................</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 partial category .......................................................................................</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No categories but entitlement (earnings exemption) .....................................</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No residual capacity concept ......................................................................</td>
<td>Very low</td>
</tr>
<tr>
<td><strong>Acceptability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acceptability among people with episodic disabilities</td>
<td>System efficiency in responding to changing conditions</td>
<td>Re-evaluation/re-assessment: every 6 months ...............................................</td>
<td>Very high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>annually ...........................................................................................................</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>every 3 years ................................................................................................</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>every 5 years ................................................................................................</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>no monitoring schedule ...............................................................................</td>
<td>Very low</td>
</tr>
<tr>
<td>Acceptability among Employers</td>
<td>Types of government interventions to boost employee productivity and support business competitiveness</td>
<td>Gov't $ + rehab ..........................................................................................</td>
<td>Very high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gov't rehab only .........................................................................................</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gov't $, employer rehab .............................................................................</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gov't rehab, hiring quotas ........................................................................</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No gov't provisions ...................................................................................</td>
<td>Very low</td>
</tr>
<tr>
<td>Political acceptability</td>
<td>Simplicity of policy design, implementation and operation; fit within existing framework</td>
<td>No legislative amendments ..........................................................................</td>
<td>Very high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minor changes at prov. level ........................................................................</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Major changes at fed. level .........................................................................</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Major changes at both levels ......................................................................</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Major changes at both levels + switch to tax-based system ................................</td>
<td>Very low</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access &amp; equitable distribution</td>
<td>Equal access to benefits by people whose episodic disability causes work incapacity</td>
<td>Universal access w/ low incapacity ..........................................................</td>
<td>Very high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contributory access w/ low incapacity ....................................................</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Univ. access w/ half incapacity ..................................................................</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contrib. access w/ half incapacity ..........................................................</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Contrib. access w/ full incapacity ..........................................................</td>
<td>Very low</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost effectiveness</td>
<td>Cost per beneficiary: benefit costs + administrative costs + opportunity costs</td>
<td>&lt;$5,000 ..........................................................</td>
<td>Very high</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$5-10,000....................................................................................................</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$10-15,000..................................................................................................</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$15-20,000..................................................................................................</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt; $20,000....................................................................................................</td>
<td>Very low</td>
</tr>
</tbody>
</table>
7.2 Evaluation of Policy Alternatives

This section addresses the trade-offs between the proposed policy alternatives by illustrating their strength and weaknesses in accordance with the previously outlined criteria. The sum of each policy alternative's section scores is compared to rank policy alternatives in terms of their ability to meet the overall objectives outlined in section 6.

A word of caution seems appropriate regarding some of the limits of evaluating broad policies. This study is based on findings that may not capture some salient features relevant to a policy’s impact on labour force participation of people with episodic disabilities. Region specific differences such as working conditions, regulations governing benefits, and economic performances are largely ignored (Bergendorff, 2003).47 In the next sections, I evaluate each policy option in accordance with the above criteria.

7.2.1 Policy Alternative I: Status Quo

- Effectiveness

The all-or-nothing approach of CPP-D discourages labour force participation of people with episodic disabilities. About half of the Canadian population with disabilities is out of the labour force, and the majority of disabilities are potentially episodic in nature. In the absence of a disability concept based on residual work capacities, for numerous people with episodic disabilities SA may be the only source of income in times of work incapacity.

> Effectiveness of the status quo in terms of labour force participation is LOW and VERY LOW for income security.

- Acceptability

Current beneficiaries do not undergo a re-evaluation process. They are typically considered fully disabled on a permanent basis without anticipation of improvement. Beneficiaries with residual capacities are precluded from engaging in significant work. Recipients of SA (‘income of last resort’) face stigmatisation. Because partial benefits are unavailable to compensate for lost earnings, many people with episodic disabilities prefer to work full time, yet their conditions often require flexible work options. Labour force attachment subsequently fluctuates and is unpredictable. This uncertainty and the loss of hours worked impinges on an employer’s competitiveness. Under the status quo, the

---

47 Bergendorff (2003), for example, finds that sickness absence tends to increase during economic booms and decrease during recessions. He further reports that disability schemes in some countries, reportedly Sweden and the Netherlands, have been used to reduce the labour force in times of high unemployment.
government does not provide rehabilitation services to enhance employees’ condition. Employers do not receive any financial support to assist with disability management at the workplace. Without requirements for administrative and legislative changes, the status quo corresponds to the government’s agenda. In a 2003 report, the federal government explicitly states that current regulations do not need to be changed.

- Acceptability among people with episodic disabilities and among employers is VERY LOW; political acceptability is VERY HIGH.

- **Equity**
  
  Many people with episodic disabilities are unable to meet the contributory requirements for benefit eligibility because their condition causes erratic labour force attachment. Where such requirements are met, people with episodic disabilities are often denied access to benefits because their condition is not considered severe enough. Under the status quo, benefits are available only to those contributors who prove that their condition is incapacitating at all times.

- The status quo receives a VERY LOW for equity.

- **Cost**
  
  Cost effectiveness:

  - Benefit costs = $765 \times 12 \text{ months} = $9,180 \text{ per capita annually.}^{48}
  
  - Administrative costs: $371 \text{ mio/4,098,696} = $91 \text{ per capita annually.}^{49}
  
  - Opportunity costs:
    
    Foregone earnings = [($22,228^{50} \times 50\%^{51}) \times 85\%^{52}] = $9,447 \text{ per capita annually.}^{53}

- With a combined cost of $18,718 per capita annually, the status quo receives a LOW for cost effectiveness.

---

48 The calculation is based on the monthly average per capita CPP-D benefit of $765 paid in 2001 (HRSDC, 2006a, Table 4, p.8).

49 The calculation is based on the overall CPP administrative expenditures divided by the number of all CPP beneficiaries, including Old Age, Survivors and Disability pensioners. It is assumed that annual per capita administrative costs are equal for the three types of beneficiaries. The source of the numerical data is HRSDC (2006a), Table 1.A.

50 Average income of adults with disabilities in 2001 (Statistics Canada, 2007, Table 5.1).

51 In 2002, 71\% of all partial beneficiaries received a benefit in the 50\% category (Szymendra & Moller, 2005, Table 1). Accordingly, the vast majority of partial beneficiaries possess a 50\% residual work capacity, enabling them to assume a half-time position.

52 In 2001, 85\% of working age adults with disabilities in Canada expressed a desire to work (Canadian Abilities Foundation, 2004).

53 Total foregone annual earnings are estimated at $633,362,500, based on the assumption that 24\% of current beneficiaries would be entitled to partial benefit only under a combined full/partial system. See footnote 56 for a more detailed explanation of this calculation.
7.2.2 Policy Alternative II: the Multiple Benefit

- **Effectiveness**
  Consistent with evidence from Sweden, a benefit system with a scale of three partial benefit categories is expected to optimise residual work capacities and reduce the inactivity rate to between 20 and 30%. Entitlement to benefit requires a 25% reduction in earnings capacity; hence, the system is relatively inclusive. Lost earnings are compensated in accordance with residual work capacities. Partial benefits may be topped up through financial assistance, if part-time employment is not available. The contributory requirement may preclude some from entitlement.

  ➢ The multiple benefit receives a HIGH for effectiveness in terms of labour force participation and income security.

- **Acceptability**
  Three partial benefit categories correspond to fluctuating conditions. Rehabilitation and early intervention initiatives are the responsibility of employers and are anticipated to be provided on an 'as needs' basis. This is likely to impact the frequency with which partial disability cases are re-assessed, and monitoring may coincide with the policy’s three-year time-limited provision. The disabled designation is retained regardless of the level of employment. Changes in conditions may require administrative procedures at different levels of government, thus possibly causing delays. For the employer, work capacity ratings and a scale of disability categories make labour attachment more predictable. The benefits derived in support of greater productivity and business competitiveness are further enhanced by wage subsidies but weakened by the financial burden of return-to-work and rehabilitation services. Consistent with data from Sweden, federal spending is expected to increase under a combined full/partial benefit. Substantial legislative and administrative changes are needed at the federal level but also at the provincial level. Adjusting existing provisions and support programs delivered by the provinces is complex given multiple partial categories. Significant additional resources are required to administer a system with multiple disability categories.

  ➢ Acceptability for people with episodic disabilities and employers is MEDIUM; political acceptability is considered LOW.
• *Equity*

Benefits are accessible to all contributors with a minimum 25% lost earnings capacity. Existing beneficiaries may be downgraded from the previous full to partial benefit. The benefit is readily portable.

The multiple benefit model receives a HIGH for equity.

• *Cost*

Cost effectiveness:

- Benefit costs = \([(\$765 \times 76\%) + (\$765/2 \times 24\%)]^{54} \times 12\text{ months} = \$8078\text{ per capita annually.}

- Administrative costs: \(\text{SEK } 900\text{ mio}^{55}/557,000^{56} = \text{SEK1616} = \$268\text{ per capita annually}^{57}\)

- Other costs: wage subsidies paid to employers pose a significant additional cost; presumably lower are rehabilitation and early intervention costs borne by the employer, as well as the government expense of re-assessing disability cases. In the absence of numerical data, providing an estimate for any of these costs is out of my range. It is reasonable to suggest that the additional expenses move in the direction of decreasing the policy’s cost effectiveness.

➢ With a combined cost of $8,346 per capita annually, the multiple benefit receives a HIGH for cost effectiveness.

### 7.2.3 Policy Alternative III: the Dual System

• *Effectiveness*

The emphasis on rehabilitation and early intervention, as well as hiring quotas foster labour force participation. Inactivity among people with episodic disabilities is anticipated to be between 20 and 30%. Benefit entitlement requires a minimum one-third reduction in residual work capacity. All partial beneficiaries receive the same rate of compensation, regardless of whether their capacity is reduced by three or six hours. The partial benefit amount can be as low as 35% of pre-disability earnings, in case the partial benefit is calculated on the basis of a 70% full benefit. The contributory requirement may preclude some from entitlement.

---

54 The calculation is based on the ratio of full relative to partial beneficiaries (76%/24%) under the Swedish system in 2002 (Szymendra & Moller, 2005, Table 1).
55 The amount of Swedish Krona (SEK) 900 million is an approximation of a non-numeric value obtained from a diagram depicting the administrative costs for Sweden’s full and partial disability benefit (Sickness/activity compensation) in 2005 (Swedish Social Insurance Agency, 2006, Diagram 1.1)
57 On March 21, 2007, the SEK/Canadian dollar exchange rate was 0.1658 (x-rates.com, 2007).
Efficiency of the dual system in terms of labour force participation is HIGH and MEDIUM for income security.

- **Acceptability**
  
The option is fairly static in that disability ratings do not reflect fluctuating conditions. Monitoring and re-assessment of conditions may subsequently be as infrequent as every three years, thus coinciding with the policy’s three-year time-limited component. Necessary administrative procedures may involve different levels of government, thus possibly causing delays. The disabled designation is retained regardless of the level of employment. Work capacity ratings make labour attachment more predictable. Employers do not face rehabilitation or return-to-work obligations. But larger employers are required to comply with a hiring quota. Disability management at the workplace involves various service providers and programs at different levels of governments. In accordance with data from Germany, federal spending on benefits and additional programs is expected to somewhat increase under this combined full/partial benefit option. Substantial legislative and administrative changes are needed primarily at the federal level and to a lesser degree at the provincial level. The program administration is expected to be less complex under a dual system compared to the multiple benefit. Additional resources are required to administer a system with an additional partial category.

- **The dual system receives a MEDIUM for acceptability among people with episodic disabilities and for political acceptability; acceptability among employers is LOW.**

- **Equity**
  
  Benefits are accessible to all contributors whose capacity to work is reduced by one-third. Existing beneficiaries may be downgraded from the previous full to partial benefit. The benefit is readily portable.

- **The dual system receives a HIGH for equity.**

- **Cost**
  
  Cost effectiveness:
  
  + Benefit costs = \( [($765 \times 76\%) + ($765/2 \times 24\%)] \times 12 \text{ months} = $8078 \text{ per capita annually.}^{58}\)

  \(^{58}\) Annual per capita benefit costs are anticipated to be similar to those under the multiple benefit. Refer to footnote 55 for a more detailed explanation of the calculation.
- Administrative costs: SEK 900 mio/557,000 = SEK 1616 = $268 per capita annually.\textsuperscript{59}

- Other costs: rehabilitation and early intervention costs, as well as monitoring expenses pose additional costs to the government. The costs associated with hiring quotas are primarily borne by employers. In the absence of numerical data, providing an estimate for any of these costs is out of my range. It is reasonable to suggest that the additional expenses move in the direction of decreasing the policy’s cost effectiveness.

With a combined cost of $8,346 per capita annually, the dual system receives a HIGH for cost effectiveness.

7.2.4 Policy Alternative IV: the Provincial Model

- Effectiveness

A benefit system with a scale of three partial benefit categories, along with extensive rehabilitation and early intervention services provided by the provinces is expected to optimise residual work capacities and reduce the inactivity rate to below 20%. Entitlement to benefit requires a 25% reduction in earnings capacity; applicants with an erratic labour force attachment do not face the obstacle of contributory requirements. Hence, the system is highly inclusive.

The provincial model receives a VERY HIGH for effectiveness in terms of labour force participation and a HIGH for income security.

Acceptability

Three partial benefit categories correspond to fluctuating conditions. Extensive rehabilitation and early intervention measures provided by the provincial government are expected to coincide with periodic monitoring and annual re-evaluations, made possible by a more integrated disability management approach under a single jurisdiction. The administration of different disability support programs at the provincial level allows for simpler procedures and more immediate responses to a person’s changing condition. For the same reason, disability case management at the workplace is expected to be less bureaucratic and more simplistic. Employers will favour the lack of responsibilities and greater predictability of labour force participation due to a scale of disability categories. Under this option, the provinces enjoy considerably greater powers and receive grants from the federal government. For these reason, the provincial model is the least acceptable option to the federal government. The policy requires the greatest amount of legal amendments in each

\textsuperscript{59} Annual per capita administrative costs are anticipated to be similar to those under the multiple benefit. Refer to footnote 56, 57 and 58 for a more detailed explanation of the calculation.
province and at the federal level. Considerably more resources are required at the provincial level to facilitate the administration. In the long run, coordinating the disability benefit with existing disability support programs under the same jurisdiction promotes integration and, hence, efficiency. An additional stakeholder under this option is the general public: the non-contributory, universal benefit requires an increased spending of taxpayers’ money.

- Acceptability among people with episodic disabilities and among employers is HIGH; political acceptability is VERY LOW.

- Equity
  Benefits are universally accessible to all people whose episodic disability reduces work capacities by 25%.

- The provincial model receives a VERY HIGH for equity.

Cost

Cost effectiveness:
- Benefit costs = \[\left(\frac{765 \times 0.76}{12}\right) + \left(\frac{765 \times 0.24}{12}\right)\] x 12 months = $8078 per capita annually.\(^{60}\)

- Administrative costs: SEK 900 mio/557,000 = SEK 1616 = $268 per capita annually.\(^{61}\)

- Other costs: rehabilitation and early intervention costs, as well as monitoring expenses pose additional costs to the government. An estimate of these expenses is out of my range in the absence of supporting numerical data. It is reasonable to suggest that the additional costs move in the direction of decreasing the policy’s cost effectiveness. In the long run, the policy’s cost effectiveness is expected to increase, as greater program integration under a single jurisdiction promotes efficiency.

- With a combined cost of $8,346 per capita annually, the provincial model receives a HIGH for cost effectiveness.

7.2.5 Evaluation Summary

The following table provides an overview of the measurements of the criteria for each policy alternative.\(^{62}\)

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\(^{60}\) Annual per capita benefit costs are anticipated to be similar to those under the multiple benefit. Refer to footnote 55 for a more detailed explanation of the calculation.

\(^{61}\) At least initially, annual per capita administrative costs are anticipated to be similar to those under the multiple benefit. In the long run, these costs are anticipated to be lower relative to alternative 2 and 3, because of greater program integration. Refer to footnote 56, 57 and 58 for a more detailed explanation of the calculation.

\(^{62}\) See Appendix D for a more detailed overview of policy evaluations.
Table 13: Evaluation of Policy Alternatives

<table>
<thead>
<tr>
<th></th>
<th>Alternative I</th>
<th>Alternative II</th>
<th>Alternative III</th>
<th>Alternative IV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Effectiveness</strong></td>
<td>1.3</td>
<td>7.5</td>
<td>6.3</td>
<td>8.8</td>
</tr>
<tr>
<td><strong>Labour force participation</strong></td>
<td>LOW – inactivity rate close to 50%; all-or-nothing concept</td>
<td>HIGH – inactivity between 20-30%; scale of capacity ratings ( \uparrow )</td>
<td>HIGH – inactivity close to 20%; early intervention &amp; rehab; hiring quotas</td>
<td>VERY HIGH – inactivity &lt; 20%; early interven. &amp; rehab; capacity scale</td>
</tr>
<tr>
<td><strong>Income security</strong></td>
<td>VERY LOW – No residual capacity concept = no entitlement</td>
<td>HIGH – 3 partial benefits reflect fluctuating capacities; entry threshold ( \downarrow )</td>
<td>MEDIUM – single partial benefit = less compensation; benefit access: 1/3 reduced capacity</td>
<td>HIGH – 3 partial benefits reflect fluctuating capacities; entry threshold ( \downarrow )</td>
</tr>
<tr>
<td><strong>Acceptability</strong></td>
<td>3.3</td>
<td>4.2</td>
<td>4.2</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Acceptability by people with episodic disabilities</strong></td>
<td>VERY LOW – no scheduled reassessment of conditions</td>
<td>MEDIUM – reassessment as infrequent as every three years</td>
<td>MEDIUM – reassessment as infrequent as every three years</td>
<td>HIGH – periodic reassessment due to extensive rehab &amp; program integration</td>
</tr>
<tr>
<td><strong>Acceptability among Employers</strong></td>
<td>VERY LOW – no govt intervention &amp; support</td>
<td>MEDIUM – rehab obligations pose liability; subsidies</td>
<td>LOW – hiring obligations pose liabilities</td>
<td>HIGH – no liabilities; govt rehab</td>
</tr>
<tr>
<td><strong>Political acceptability</strong></td>
<td>VERY HIGH – no legislative amendments required</td>
<td>LOW – substantial legal changes at both govt levels; additional resources</td>
<td>MEDIUM – substantial legal changes at the fed level; additional resources</td>
<td>VERY LOW – significant legal amendments &amp; resources required; tax-based system</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>0.0</td>
<td>7.5</td>
<td>7.5</td>
<td>10</td>
</tr>
<tr>
<td><strong>Access &amp; equitable distribution</strong></td>
<td>VERY LOW – contributory access &amp; proof of full incapacity</td>
<td>HIGH – contributory access w/ 1/4 incapacity ( \uparrow ) low entry threshold</td>
<td>HIGH – contributory access w/ 1/3 incapacity ( \uparrow ) fair benefit access</td>
<td>VERY HIGH – low entry requirements and universal access</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>2.5</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td><strong>Cost effectiveness</strong></td>
<td>LOW – high foregone earnings; combined cost: $18,718/capita/yr</td>
<td>HIGH – combined cost: $8,346/capita/yr</td>
<td>HIGH – combined cost: $8,346/capita/yr</td>
<td>HIGH – combined cost: $8,346/capita/yr</td>
</tr>
<tr>
<td><strong>Total score</strong></td>
<td>1.8</td>
<td>6.7</td>
<td>6.4</td>
<td>7.8</td>
</tr>
</tbody>
</table>

With an overall score of 7.8, the provincial model is distinctly different from and ahead of all other options. The comparable scores of 6.7 and 6.4 for the multiple benefit and the dual system reflect the relative similarity of these two federal options in terms of their design. With a considerably lower overall score of 1.8, Canada’s current disability system fares poorly against any alternative.
8 Policy Recommendations

A policy recommendation is primarily based on how well a policy alternative performs with respect to the main policy objectives. Secondary, the recommendation should consider the policy’s relative position in consideration of all criteria. Policy alternative IV, the provincial model, compares favourably on both accounts.

Among all options discussed, the provincial model is the only one to receive the highest possible score on labour force participation. It does so without the help of wage subsidy and hiring quotas to entice hiring. This seems sensible in the Canadian context given this nation’s strong economic performance. The existing demand for skilled labour may not necessitate special hiring incentives in form of subsidies. Instead, the focus is on removing barriers to labour force participation of people with episodic disabilities. Among the provincial model’s most promising features is the emphasis on integrated rehabilitation and early intervention measures provided by the provincial government. Evidence shows how these services remove barriers to labour force participation on account of their preventative and condition-improving potential. At present, only 500 out of nearly 300,000 CPP-D beneficiaries are undergoing rehabilitation in Canada annually. In light of international evidence, the government is strongly advised to follow the example of some countries and invest in and greatly expand these crucial services. Supporting these efforts is a benefit structure with a scale of incapacity ratings.

A scale of benefit categories is the basis of a continuous disability assessment system, which accommodates fluctuating residual work capacities, while ensuring stable income. Further supporting income stability is the policy’s non-contributory requirement. As the federal government acknowledges, many people with episodic conditions are precluded from benefit under the current system because of inadequate contributions. The basis of entitlement is a reduction in earnings capacity. Implicit in this definition, beneficiaries are assumed to potentially possess a residual capacity to earn an income. Keeping the number of benefit categories and thus compensation levels to a limit makes earnings more lucrative than disability benefits.

Easily overlooked as a labour-promoting aspect is the importance of immediate responses to fluctuating conditions. In practice, the lack of timely responsiveness poses a real barrier to work, either because a condition has recurred by the time a return to work has been approved by
the respective authorities or because of psychological barriers. From this perspective, alternative IV with its emphasis on efficient program integration and simplified administrative procedures under a single jurisdiction at the provincial level optimises work capacities, along with fostering work readiness.

It is for all of the above reasons that the provincial model scores highest for acceptability among people with episodic disabilities, even though the benefit is not as readily portable across jurisdictions. Importantly, the provincial model is the most employer friendly alternative: along with greater work predictability and the lack of financial obligations, greater program integration and simplicity of disability management procedures remove hiring disincentives.

Benefit administration under a single jurisdiction greatly supports integration with additional disability programs and hence promotes efficiency. In the long run, the provincial model is expected to be the most cost effective option. Along with provisions such as a time-limited component, a try-out option and a continuous disabled designation in case of employment, efficiency is also expected to increase the rate of labour force participation relative to the other options. This reinforces the superiority of the provincial model.

Among the greatest challenges of the provincial model is its requirement for significant legislative changes at the provincial and the federal level. Substantial resources are needed not only to create a system that incorporates partial benefits but also to shift the existing benefit administration from the federal to the provincial level.

This requirement, along with transfers of grants from the federal to the provincial governments, results in a comparatively low score for political acceptability. The option requires a delegation of powers to the provincial level and relies on taxes to finance benefits. Relevant in this context, expenditures for SA are expected to decrease following inception of a partial benefit system. Obstacles to the administrative operability of the policy model may in part be overcome by using a two-step approach to its implementation: first, a partial system would be created at the provincial level. Once this part is firmly in place, administration of the full benefit will be transferred from the federal to the provincial level within a three to five year time frame following the policy’s inception.

It must be acknowledged that the provincial model poses an enormous change to the status quo. Yet the challenge of implementing the policy cannot diminish or outweigh its long-term benefits. The evidence provides clear consensus on the alternative’s considerably greater efficiency in administering disability benefits and related programs. The net result is a far more
superior outcome for labour force participation of people with episodic disabilities. Clearly, more research is needed to determine the requirements and impacts associated with a change to a tax-based benefit system administered at the provincial level.
9 Conclusion

Canada’s current disability benefit system has increasingly come under scrutiny: it is based on the principle of complete work incapacity and does not recognize the concept of partial benefits. Many people with episodic disabilities are thus precluded from receiving a federal disability benefit, because their condition is not considered severe enough to qualify. The fact that episodic disabilities can seriously interrupt individuals’ work life and thus preclude them from meeting the contributory requirements poses an additional challenge under the current system. At present, social assistance, which carries the stigma of ‘the income of last resort’, may be the only source of support available to this group.

An ever greater prevalence of disabilities that are potentially episodic in nature points to the need of promoting greater labour force attachment by way of emphasising people’s residual work capacities. A focus on employability of people with episodic disabilities confers benefits to the individual and to society at large. Employment promotes integration into mainstream society, while reducing the reliance on benefits, thus decreasing costs. In support of these objectives, a benefit system with partial disabled categories can foster labour force participation while securing stable income at times of decreased work capacities. To be effective, combined full/partial benefit systems must contain certain structural key features.

The policy alternative put forward towards reforming Canada’s current disability benefit incorporates the most salient features that have been shown to a) reduce barriers to labour force attachment of people with episodic disabilities and b) secure a stable income. The proposed provincial model entails a more inclusive set of disability definitions, along with featuring a scale of income compensation levels. The scheme provides financial rewards to beneficiaries for foregoing benefits in favour of employment; it further minimizes risks associated with greater labour force attachment. At the same time, employer liabilities are kept to a minimum. An effective disability benefit must incorporate services aimed at improving episodic conditions; to this end, the policy strongly emphasizes rehabilitation and early intervention measures. Simplified administrative procedures and greater program integration at the provincial level are essential to the scheme’s efficiency and, thus, to reducing overall costs. A staged approach eases the process of implementing the policy.
Canada’s disability benefit system has not kept pace with developments concerning
disability and employment, and program changes over the past four decades have been modest.
Based on the evidence at hand, a sustainable disability benefit system must include a scale of
partial benefit categories and a considerably greater level of integration of disability management
strategies and programs than is currently the case. Improving labour force participation and
income stability of people with episodic disabilities should be in the interest of all Canadians. We
can no longer afford to overlook this group that so far has seen little accommodation within
Canada’s institutional framework.
Appendices

Appendix A – Definitions of Daily Living Activities

“For the purposes of the BC Employment and Assistance for Persons with Disabilities Act and this regulation, "daily living activities", (a) in relation to a person who has a severe physical impairment or a severe mental impairment, means the following activities:

   (i) prepare own meals;
   (ii) manage personal finances;
   (iii) shop for personal needs;
   (iv) use public or personal transportation facilities;
   (v) perform housework to maintain the person’s place of residence in acceptable sanitary condition;
   (vi) move about indoors and outdoors;
   (vii) perform personal hygiene and self care;
   (viii) manage personal medication, and

(b) in relation to a person who has a severe mental impairment, includes the following activities:

   (i) make decisions about personal activities, care or finances;
   (ii) relate to, communicate or interact with others effectively.

Table 14: Overview of the German, Dutch and Swedish Disability Systems

<table>
<thead>
<tr>
<th>Country</th>
<th>Name of long-term disability program</th>
<th>Definition of disability</th>
<th>Levels of disability</th>
<th>Benefit calculation</th>
<th>Financing of LTD</th>
<th>Contribution record</th>
<th>Mandatory rehabilitation prior to LTD award?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>WAO-Disability Benefits Act</td>
<td>Loss of earnings; work capacity reduced by at least 15%</td>
<td>Full: 80% + Six partial: 15-25%; 26-35%; 36-45%; 46-55%; 56-65%; 66-80%</td>
<td>Up to 70% of before-tax earnings; partial benefit: midpoint of particular range multiplied by 70%</td>
<td>Contributory: payroll tax of employer and employee</td>
<td>Amount and entitlement period of the earnings-related disability benefit is dependent on age</td>
<td>Yes; greater obligations towards rehab efforts rests on employer; the social insurance office may refuse an application for lack of sufficient rehab efforts</td>
</tr>
<tr>
<td>Sweden</td>
<td>Sickness Compensation</td>
<td>Loss of earnings; inability to make a living through work, or have a work capacity reduced by at least 25%</td>
<td>Full: 80% + Three partial: 25%; 50%; 75%</td>
<td>2.4 x Price Base Amount, less 1/40 for every year under 40 (sum of number of years of residency + number of years until age 65); partial: 25%, 50% or 75% of full</td>
<td>Contributory: payroll tax (prior to 1999: universal program)</td>
<td>Must be pension eligible</td>
<td>Yes: LTD awarded after the first year of benefits if no improvement through rehabilitation</td>
</tr>
<tr>
<td>Germany</td>
<td>Invalidity Pension ('Pension because of reduction in earnings’ capacity)</td>
<td>Remaining ability to work (reduction in hours of work per day)</td>
<td>Full: able to work 6+ hours/day One partial: able to work 3 to 6 hours/day</td>
<td>Up to 100%, dependent on the number of contributory years and the level of income at the time of disability; partial benefit: half the rate of full benefit</td>
<td>Contributory: employer/employee contribution</td>
<td>Contribution for 3 of previous 5 years</td>
<td>Yes in most cases: LTD awards only after return-to-work interventions could not restore a participant’s earning capacity</td>
</tr>
</tbody>
</table>

Sources: Honeycutt and Mitra (2005); Mitra (2005); Rae (2005); Wittenberg and Loprest (2004); Dean et al. (2005)
Appendix C – Definitions of Types of Disabilities among Adults

Hearing: Difficulty hearing what is being said in a conversation with one other person, in a conversation with three or more persons or in a telephone conversation.

Seeing: Difficulty seeing ordinary newsprint or clearly seeing the face of someone from 4 metres (12 feet).

Speech: Difficulty speaking and/or being understood.

Mobility: Difficulty walking half a kilometre or up and down a flight of stairs, about 12 steps without resting, moving from one room to another, carrying an object of 5 kg (10 pounds) for 10 metres (30 feet) or standing for long periods.

Agility: Difficulty bending, dressing or undressing oneself, getting into and out of bed, cutting own toenails, using fingers to grasp or handling objects, reaching in any direction (for example, above one’s head) or cutting own food.

Pain: Limited in the amount or kind of activities that one can do because of a long-term pain that is constant or reoccurs from time to time, for example, recurrent back pain.

Learning: Difficulty learning because of a condition, such as attention problems, hyperactivity or dyslexia, whether or not the condition was diagnosed by a teacher, doctor or other health professional.

Memory: Limited in the amount or kind of activities that one can do due to frequent periods of confusion or difficulty remembering things. These difficulties may be associated with Alzheimer’s disease, brain injuries or other similar conditions.

Developmental: Cognitive limitations due to the presence of a developmental disability or disorder, such as Down syndrome, autism or mental impairment caused by a lack of oxygen at birth.

Psychological: Limited in the amount or kind of activities that one can do due to the presence of an emotional, psychological or psychiatric condition, such as phobias, depression, schizophrenia, drinking or drug problems.

Unknown: The type of disability is unknown if the respondent answered YES to the general questions on activity limitations, but did not provide any YES to the questions about type of disability that followed.

Source: Statistics Canada (2007)
### Table 15: Overview of Policy Evaluations

<table>
<thead>
<tr>
<th></th>
<th>Alternative I</th>
<th>Alternative II</th>
<th>Alternative III</th>
<th>Alternative IV</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Status quo</td>
<td>Multiple benefits</td>
<td>Dual system</td>
<td>Provincial model</td>
</tr>
<tr>
<td><strong>Effectiveness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour force participation</td>
<td>All-or-nothing approach</td>
<td>Scale of capacity ratings optimises employment</td>
<td>Early intervention &amp; rehab; hiring quotas</td>
<td>Scale of capacity ratings &amp; extensive rehab optimise employment</td>
</tr>
<tr>
<td>Income security</td>
<td>Lack of income security program: no residual capacity concept</td>
<td>Low benefit entry threshold; contributory requirements; 3 partial benefits accommodate fluctuating conditions</td>
<td>Benefit access requires 1/3 reduced capacity; compensation may be low; single partial benefit = less compensation for some</td>
<td>Low benefit entry threshold; universal benefit access; better program integration; timely responses</td>
</tr>
<tr>
<td><strong>Acceptability</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acceptability by people with episodic disabilities</td>
<td>No monitoring or scheduled reassessments; no benefits with residual work capacity; existing beneficiaries cannot work</td>
<td>Reassessment and monitoring may be infrequent; risk-free employment; possible system delays</td>
<td>Possibly infrequent reassessment; static disability rating; one compensation level for all partial disabilities; risk free employment; possible delays</td>
<td>Frequent reassessment due to rehab &amp; program integration; flexible towards fluctuating conditions; risk-free employment</td>
</tr>
<tr>
<td>Acceptability among Employers</td>
<td>No gov’t intervention &amp; support; lack of disabled categories ► less predictable work attendance</td>
<td>Disabled rating ► work predictability; rehab obligations; receipt of subsidies; complex disability management</td>
<td>Hiring obligations pose liability; disabled rating ► work predictability; complex disability management</td>
<td>Gov’t rehab; no $ obligations; disabled rating ► work predictability; less bureaucratic case management;</td>
</tr>
<tr>
<td>Political acceptability</td>
<td>No requirement for legislative changes</td>
<td>SA expenses ↓; federal benefit costs ↑; substantial legal changes at all levels; overall program coordination changed; requirement for additional resources</td>
<td>SA expenses ↓; federal benefit costs ↑; substantial legal changes at fed. level; additional resources required; less complex administration</td>
<td>Greater prov. power; SA costs ↓; federal prov’s: power ↓ + grant transfers; general public pays taxes to finance system; significant legal amendments and resources required; greater efficiency through program integration</td>
</tr>
<tr>
<td></td>
<td>Alternative I Status quo</td>
<td>Alternative II Multiple benefits</td>
<td>Alternative III Dual system</td>
<td>Alternative IV Provincial model</td>
</tr>
<tr>
<td>----------------------</td>
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<td>---------------------------------</td>
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<td>--------------------------------</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access &amp; equitable distribution</td>
<td>Access is contributory based; requirement of proof of full incapacity; many contributors are not entitled to benefits</td>
<td>Contributory based but low capacity requirements; good benefit portability; re-evaluation of existing full beneficiaries</td>
<td>Contributory based but low capacity requirements; good benefit portability; re-evaluation of existing full beneficiaries</td>
<td>Universal access (no contributory requirements + low capacity rating); benefit not as readily portable;</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost effectiveness</td>
<td>High foregone earnings; combined annual cost: $18,718/capita</td>
<td>Combined cost: $8,346/capita/yr; high wage subsidy costs</td>
<td>Combined cost: $8,346/capita/yr; some rehab &amp; early interv. costs</td>
<td>Combined cost: $8,346/capita/yr; efficient delivery of rehab &amp; early interv</td>
</tr>
</tbody>
</table>
Bibliography

Works Cited


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