

**Canada Pension Plan Disability and
Return to Work:
Overcoming Institutional Disincentives**

by

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RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF PUBLIC POLICY

in the
School of Public Policy
Faculty of Arts and Social Sciences

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SIMON FRASER UNIVERSITY

Spring 2012

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Abstract

Canada Pension Plan Disability provides benefits to individuals who meet the contributory and medical eligibility criteria. Although few beneficiaries are expected to leave the benefit and return to work, some do recover from their disabilities and regain the ability to work beyond the level the program deems capable of no longer being eligible for benefits. This study analyzes Statistics Canada data and draws on interviews with disability agencies and academics to inform our understanding of institutional disincentives to work. The issues raised through the interview and data analysis lead to the formulation of policy options, which are assessed against a set of criteria. The recommendations include revamping current communications and reforming the Automatic Reinstatement policy as short-term options. Exploring a revised earnings exemption scheme is proposed for the longer term.

Keywords: Canada Pension Plan Disability; return to work; institutional disincentives; Participation and Activity Limitations Survey; fear of losing benefits

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List of Acronyms

AE	Allowable Earnings
AETR	Average effective tax rate
AR	Automatic Reinstatement
CPPD	Canada Pension Plan Disability
ESA	Employment and Support Allowance (UK)
HRSDC	Human Resources and Skills Development Canada
METR	Marginal effective tax rate
ODSP	Ontario Disability Support Program
OECD	Organization for Economic Co-operation and Development
PALS	Participation and Activity Limitations Survey
PWDs	Persons with disabilities
SGA	Substantially gainful activity
SGO	Substantially gainful occupation
SSDI	Social Security Disability Insurance (US)

Executive Summary

Canada Pension Plan Disability (CPPD) provides disability benefits to those who meet the contributory and medical eligibility criteria. Some of these individuals do recover from their disabilities, while others are able to cope with their conditions and are able to work. This research focuses specifically on what policies CPPD can pursue and implement to overcome institutional disincentives to working for its clients.

The policy problem that guides this study is that very few CPPD beneficiaries return to work. Less than 1% of the caseload leaves the benefit and returns back to work every year. Return to work is defined using CPPD's definition, which is an individual who has been assessed to be able to work at a substantially gainful level, and thus leaves the benefit. Three criteria define substantially gainful occupation (SGO): performing, productive, and profitable.

The long-term goal is to increase the number of beneficiaries who leave the benefit and return to work. It is unreasonable, however, to expect a significant jump in the number of beneficiaries returning to work in the short to medium term. As a result, the short-term goal pertaining to clients working below a substantially gainful level and still receiving benefits is the focus of the options and analysis. This goal is to increase the number of beneficiaries who begin working and to increase the amount of earnings for those already working. It is hoped that some of these individuals will become more comfortable and will pursue further work, possibly to a substantially gainful level.

These goals should not be misconstrued as pushing clients off the benefit. It would be wrong to think that even most of the caseload would be able to work at a substantially gainful level because individuals are limited by their disabilities. This research is more concerned with overcoming the obstacles that prevent CPPD clients from working or working more. As a result, two objectives are identified: 1) removing disincentives to working, and 2) improving the communication of available incentives and policies for returning to work. CPPD has in place a number of these incentives, including the Volunteer and Education Incentives, Allowable Earnings, Automatic Reinstatement, Fast-Track Reapplication, and Three-Month Work Trial.

Of the literature on the subject of work disincentives for recipients of disability assistance, much of it focuses on marginal and average effective tax rates, which apply to how much a beneficiary loses through taxes and benefit clawbacks as a result of employment earnings. There are huge variations across OECD countries with respect to marginal and average effective tax rates, and how low or high these are affect the desirability or reluctance to work. A second common topic in the literature is the effect of interactions between different disability assistance providers. In some cases, individuals may be receiving supports from more than one provider, but they may be losing benefits from both providers from the same dollar of earnings. This, as you can imagine, significantly increases the effective tax rate, and the disincentive to work.

There is a considerable amount of literature on work disincentives, but information specific to CPPD is limited. As well, some of the literature mentions the fear of losing benefits as a disincentive, but it is not clear what and how much of a role fear plays as a disincentive to work. This research aims to fill those gaps by asking what inhibits CPPD clients from working. Two data sources are used: the Participation and Activity Limitations Survey (PALS), and semi-structured interviews with academics and representatives from disability agencies.

Four themes emerged from the PALS and interview data: fear of losing benefits or supports, communication and awareness of policies and incentives, interactions with other disability assistance providers, and active supports.

The PALS data suggest the possibility of a number of clients whose decisions about whether to work or whether to reveal a capacity to work are influenced by a perceived fear of losing benefits. These insights from the data were corroborated by the comments made by many of the interview participants, particularly those from disability agencies that felt clients are unwilling to show a capacity because of the uncertainty and risks associated with potentially losing their benefits. Moreover, awareness of program rules and incentives in addition to interactions between various disability assistance providers were common themes in the discussion of disincentives to work.

Four policy options are proposed to address the issues that emanated from the PALS and interview analysis:

- 1) *Revamp Communications*- This option aims to improve the way information is presented and transmitted to clients and stakeholders, and consists of three strategies: i) improving accessibility, ii) targeting stakeholders, and iii) changing the name of the Allowable Earnings policy.

The main method CPPD currently uses to communicate with its clients is through an annual newsletter that provides updates and program information. Accessibility can be improved by opening up the lines of communication between clients and the program, for instance, by creating feedback forms on the web site where clients can ask questions anonymously.

The second important piece is to target stakeholders, as this was one of the key insights that emerged from the interviews. One of the interviewees suggested creating an annual newsletter for disability agencies similar to the one for clients to provide these agencies with program information and updates.

The third strategy within the revamping communications policy option is to change the name of the Allowable Earnings policy. Allowable Earnings, contrary to what the name implies, allows clients to earn up to the Allowable Earnings amount (\$4,800 last year) without having to report their employment earnings to CPPD. Many of the interviewees felt that people misconstrue that amount as what a client is allowed to earn before their benefits are cut off. Changing the name would significantly reduce that misperception.

- 2) *Reform Automatic Reinstatement*- The current rules for Automatic Reinstatement allow for expedited re-entry onto the benefit within two years of leaving as a result of a return to work, as long as the client provides medical evidence of the recurrence of their disability. The proposed reforms would allow the client to come back onto the benefit within two years, but they would have a one-year window to provide medical evidence of the recurrence of their disability. If they are not able to provide that evidence after one year, their benefits are ceased without any financial penalty.

- 3) *Earnings Exemption Scheme*- Under the current system, a beneficiary is able to collect employment earnings up to the SGO amount, at which point benefits are ceased and the client loses all of their benefits. The marginal effective tax rate at this point is well over 100 per cent. Under the revised scheme, there is no impact on benefits up to the allowable earnings amount, benefits are then reduced \$0.50 for every dollar of earnings between Allowable Earnings and SGO, and then are reduced dollar for dollar; benefits are provided until earnings reach \$18,000. The proposed scheme reduces the marginal effective tax rate, and also signals to clients that CPPD recognizes that clients can work while still receiving benefits.

- 4) *Partial Benefit Structure*- Currently, CPPD provides only a flat benefit to those who meet the eligibility criteria. Under a partial benefit structure, following models in many European OECD countries, partial benefits would be provided in 25% increments based on assessed remaining work capacity. As a result, a full benefit is provided for very little or no remaining capacity, 75 per cent of a full benefit for 25 per cent remaining capacity, 50 per cent of a full benefit for 50 per cent remaining capacity, and 25 per cent of a full benefit for 75 per cent remaining capacity.

Each of the four options was evaluated against four criteria, each of which was measured on a high/ medium/ low scale. Effectiveness is how well a policy option addresses one or both of the objectives. Cost is defined as the additional annual expenditures to operate and maintain a policy option. Implementation complexity considers the administrative changes or legal requirements in order to implement a policy option. The latter is particularly important for CPPD because any major change to CPPD requires the consent of two-thirds of the provinces, comprising at least two-thirds of the population. Finally, equity is the degree to which all beneficiaries benefit or are adversely affected by a policy option.

The revamping communications option scores medium for effectiveness because it addresses some of the issues with communication and awareness of return to work incentives. This option scores well for the rest of the criteria. Costs are low, as they would be limited to revising and adding literature, and making modifications to the web site. Implementation complexity is low, and there are no issues with equity.

The reforming Automatic Reinstatement option scores medium for effectiveness as well. It mitigates the fears associated with taking a chance to return to work, but does not reduce all of the disincentives associated with working. Additional costs would increase from having some former clients coming back onto the benefit who do not possess medical evidence and thus should not be coming back on, but this may be offset by more people taking the chance to leave the benefit because of the added flexibility in Automatic Reinstatement. Implementation complexity is low, but there are some issues with equity because there will be a period of time where some clients fall under the old rules, while others fall under the reformed Automatic Reinstatement rules.

The latter two options, the graduated earnings exemption and the partial benefit structure, score high for effectiveness because they both reduce the disincentives to working. However, the two options contrast each other for the remainder of the criteria. Costs for the earnings exemption scheme are projected to be low because the additional benefits paid to those beyond the SGO amount would be offset by fewer benefits paid to those below SGO. A partial benefit structure would impose large costs on CPPD because the program would be required to pay benefits to those who meet the current eligibility criteria in addition to those with partial work capacities. As well, a partial benefit structure constitutes a significant change and thus requires the consent of a supermajority, making implementation complexity high. For the proposed earnings exemption scheme, there are concerns with equity between applicants and beneficiaries. Applicants would have different eligibility rules from beneficiaries, as applicants able to work beyond the SGO level would not be eligible for CPPD, while beneficiaries would be able to continue receiving benefits if they earned beyond the SGO level.

All things considered, the revamping communications and reforming Automatic Reinstatement options are the recommended options in the short-term. They are both moderately effective in meeting the objectives, and they score relatively well for the remainder of the criteria, particularly the low costs that are an important consideration given the current fiscal climate. In the longer term, CPPD can consider the revised earnings exemption scheme, but the equity concerns remain an issue. However, because it is highly effective, has low costs, and there are no major challenges associated with implementation, it is worthy of consideration.

1 Introduction

In 1966, the Canada Pension Plan (CPP) was formally added to Canada's retirement income system. Under current CPP rules, employed individuals are required to make contributions to the CPP fund, with the expectation that CPP will in return provide benefits upon retirement. Contributions to the CPP fund, however, are not limited to funding retirement benefits. Disability benefits, which are the focus of this paper, are also available to individuals who have made CPP contributions and meet the eligibility criteria.

The Canada Pension Plan Disability (CPPD) program is responsible for administering benefits to individuals who suffer from a long-term disability. A client's benefits consist of a flat-rate component combined with an earnings-related portion equal to 75 per cent of his or her calculated retirement benefit. Over the past 10 years, CPPD paid over \$3.5 billion in benefits to more than 300,000 beneficiaries plus 86,000 children each year (HRSDC, 2011a). CPPD operates within the disability income support system that includes other providers, such as provincial social assistance, private long-term disability insurance, and workers' compensation. Since CPPD is the first payer, these programs deduct benefits paid by CPPD.

CPPD benefits are available to individuals who meet both the contributory and medical eligibility criteria. Although the contributory requirements have been amended on multiple occasions since the inception of the program, the current criteria are that applicants must have contributed to the CPP fund in at least four of the previous six years. However, if an individual has been contributing to the fund for 25 or more years, they are only required to have made valid contributions for three of the six years prior to application. Eligible applicants must also meet the medical criteria of having a severe and prolonged disability. According to CPPD, a disability is *severe* if the individual is incapable of pursuing any substantially gainful occupation (SGO), while *prolonged* is

defined as lasting for an indefinite duration or likely to result in death (Torjman, 2002). Coverage is guaranteed until a beneficiary recovers from their disability (deemed to be able to work at a substantially gainful level), or until retirement at age 65 or death.

Access to disability benefits and departure from disability assistance are inextricably linked to employment. This link between benefits and employment can be disaggregated into *inflows* for those who come on to the benefit and *outflows* for those who leave the benefit. A significant body of literature suggests that the existence of disability pensions has a negative effect on labour force participation, because they encourage individuals—particularly those approaching retirement age—to leave work and apply for disability assistance (Chen and van der Klaauw, 2008; French and Song, 2009; von Wachter et al, 2010). While the topic of disability pensions as disincentives to work with respect to inflows onto disability benefits merits discussion, this paper examines disincentives with respect to outflows from CPPD disability benefits. In particular, it analyzes institutional disincentives that discourage individuals from leaving the benefit and returning to work.

The paper begins by outlining the policy problem, goals and objectives, which serve as the foundation for the research and analysis throughout the remainder of this piece. The third chapter provides an overview of the current research and gaps in the existing literature. The subsequent chapter summarizes the institutional structure of CPPD, with particular focus on the incentives and policies to encourage beneficiaries to return to work. Following these background chapters, a methodology chapter outlines the steps taken to shed light on the policy problem and to inform the proposed policy options. Chapter six answers the research question through an analysis of Statistics Canada data and interview data. In the final chapters, a set of policy options are presented and examined through the lens of a set of criteria, concluding with a chapter on proposed recommendations to help address the policy problem.

2 Policy Problem, Goals, and Objectives

2.1. Policy Problem

The eligibility criteria for CPPD are much more stringent compared to other disability assistance providers, such as provincial disability programs. CPPD clients therefore typically have more severe and prolonged disabilities than programs with less stringent eligibility criteria. The likelihood that CPPD clients have a capacity to work is lower as well.

Although there is no expectation that clients will return to work, some clients do regain a capacity to work, and some recover from their disabilities completely. As a result, CPPD has in place a number of supports and incentives to encourage these beneficiaries to exit the benefit and return to the workforce. These supports include a vocational rehabilitation program that provides assistance to participants in the form of counselling and skills training to prepare them for the workforce. The other category of supports consists of passive policies and incentives to encourage clients to try out their ability to work. These include the ability to engage in volunteer work or to participate in a work trial without any risk of adversely affecting their benefit eligibility.

Despite these policies and supports, the number of beneficiaries who leave the benefit and return to the workforce each year is below 1% (HRSDC, 2011b).¹ With rising costs and forthcoming labour shortages (Crowley, 2010), it is important that CPPD

¹ This figure was calculated based on the reported 17,000 individuals who returned to work over the previous ten years, resulting in approximately 1,700 per year. With an average caseload of roughly 300,000 CPPD recipients in the past ten years (HRSDC, 2011a), the proportion of the caseload that returns to work is close to 0.5%.

remove the barriers or disincentives that reduce the number of clients returning to work. As well, technological innovations and changing societal attitudes about people with disabilities (PWDs) are further impetus to encourage clients with a capacity to work to improve their employment outcomes. This topic is further explored in Appendix A.

As a result of the importance of this subject, the primary policy issue that frames this paper is that very few CPPD beneficiaries return to work. Within the context of this policy problem and based on CPPD's definition, a beneficiary who returns to work is defined as a client who leaves the benefit after they are assessed to be able to pursue substantially gainful occupation (SGO).² Conversely, an individual who begins working, but continues to receive CPPD benefits, is not classified as a client who returns to work.

2.2. Policy Goals

The long-term goal is to increase the number of beneficiaries who leave the benefit and return to work. In order to achieve this long-term goal, however, the program must first aim to increase the number of CPPD beneficiaries with earnings as well as the amount of earnings of those who are employed. It is hoped that some of these clients who begin working will be encouraged to pursue further work, and that the positive feedback effect will continue until a beneficiary is able to work at a substantially gainful level. This paper therefore places a greater emphasis on the short-term goal of increasing the number and amount of earnings of CPPD beneficiaries who are employed; in other words, the employment of individuals while they are still on the benefit. The proposed policy options, in turn, address this short-term goal.

Ultimately, the aim of these policy goals is to increase both the number of beneficiaries with employment earnings and the number of beneficiaries returning to

² Substantially gainful occupation is the benchmark at which adjudicators decide whether an individual is eligible for benefits and whether a beneficiary's benefits will be ceased. SGO is based on three criteria: productivity, performance and profitability. These terms are defined and explained in Appendix B: Mechanics of the Return to Work Incentives- An Illustrative Example.

work. However, these goals should not be misconstrued as pushing or forcing individuals to go back to work or leave the benefit. It is important to recognize that it is not realistic to expect all or even a majority of beneficiaries who begin working to reach a substantially gainful level, as their capacity to work may be limited by their disabilities.

2.3. Policy Objectives

A number of obstacles may prevent a PWD from working. These include a lack of employment supports, accommodations in the workplace, access to training, or access to transportation to and from work (WHO, 2011). While these important factors merit discussion and may possibly be more effective in improving the employment prospects of CPPD clients, this paper focuses on institutional disincentives within CPPD that discourage clients from working. If a client has the capacity to work, and has the available employment supports and accommodations, they should not face other obstacles that prevent them from attaining or furthering their employment. In this sense, removing institutional disincentives plays an important role in enabling an individual to work at their capacity.

In order to achieve the aforementioned goals of increasing the number of beneficiaries with employment earnings and consequently the number of beneficiaries working at a substantially gainful level, two objectives have been established:

- 1) Reduce disincentives to working;
- 2) Improve communication of available incentives and policies for returning to work.

With fewer disincentives and greater knowledge of existing incentives, beneficiaries with the capacity to work (at a substantially gainful level) will experience fewer perceived barriers to employment. For this reason, both policy objectives provide the basis for proposing policy options to address the policy problem—that very few CPPD beneficiaries return to work.

3 Background: What Does the Literature Say?

The literature on disability pension programs highlights both financial and non-financial disincentives that exist within these programs and that discourage and prevent clients from taking up work, and in some cases exiting the benefit. This chapter reviews various types of financial disincentives. These include effective tax rates, interactions with other disability assistance providers, and work and health-related costs experienced by a PWD. The section on financial disincentives is supplemented by the subsequent discussion of rational and non-rational decision-making, and its role in serving as a disincentive to work.

3.1. Financial Disincentives

3.1.1. *Effective Tax Rates*

Disability benefit recipients who begin working may lose all or some of their benefits, and the rate at which these benefits are phased out will determine whether or not it is financially worthwhile to begin working. For a beneficiary who is already working, the proportion of earnings that is lost through taxes or benefit reductions for any additional work is taken into consideration when deciding whether to work more.

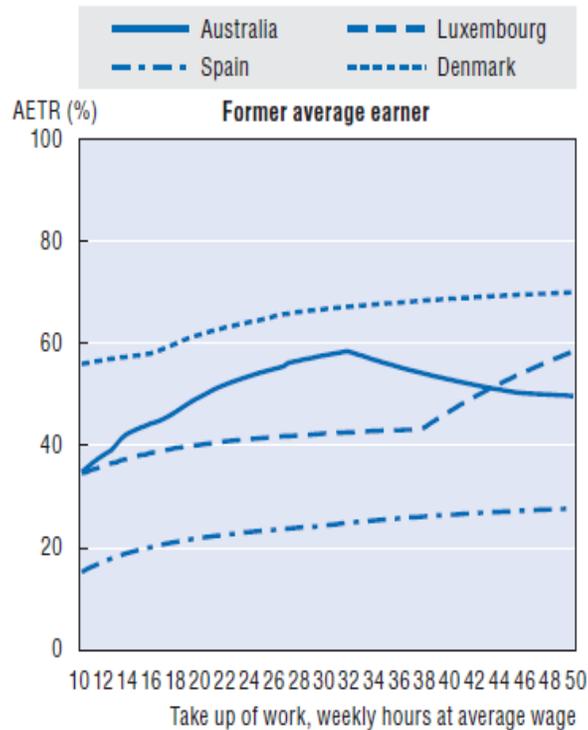
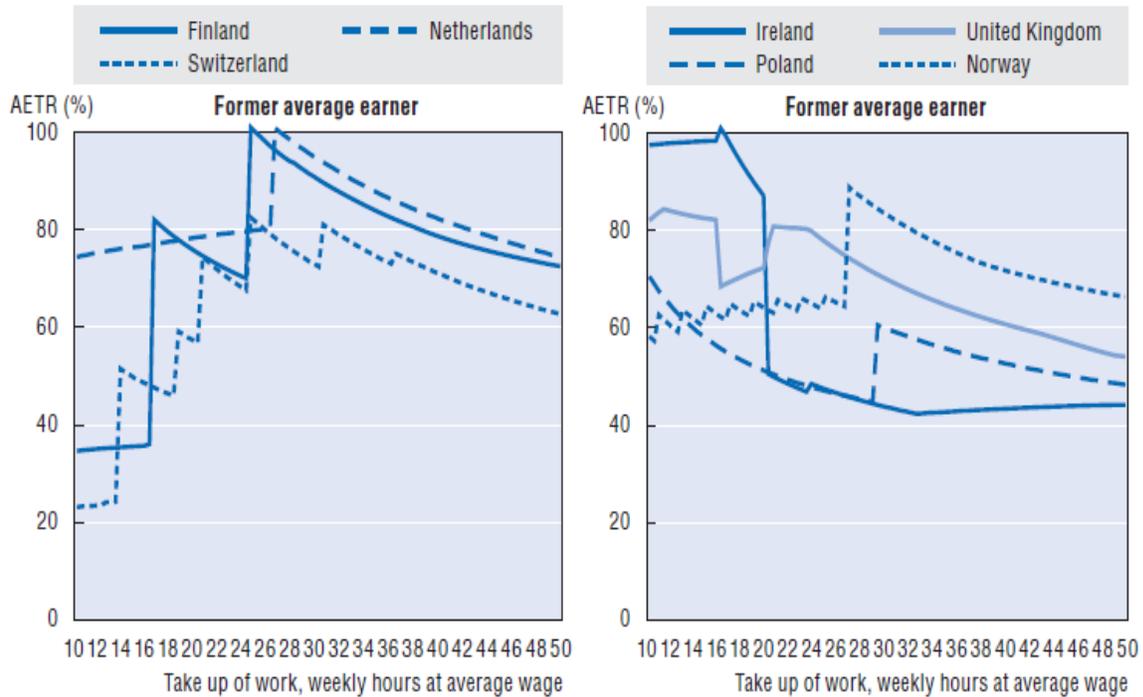
Both of these scenarios can be expressed through average and marginal effective tax rates, respectively. An average effective tax rate (AETR) is applicable to income including benefits that are taxed back when a disability benefit recipient begins working, while the marginal effective tax rate (METR) is useful for evaluating the proportion of earnings taxed back for working an additional hour. A major challenge for governments is to find a way to structure benefit programs in a manner that minimizes the financial disincentives to working. Ideally, the METR should be as low as possible to reduce the amount of money that a beneficiary loses in benefit reductions or taxes when

he or she begins working or would like to work more hours. A low METR, however, typically increases the program's budgetary cost.

From the perspective of a disability support recipient, there are several elements to consider when calculating an METR or AETR. First, benefits are factored into effective tax rate calculations. These benefits can take the form of income support and in-kind benefits such as transportation allowances or work start-up bonuses. Second, these benefits, together with employment income, need to be considered along with income tax rates and earnings exemption schemes to calculate effective tax rates. Although some benefits are not taxable, the accumulation of benefits and employment income may affect the amount of income that is taxed back and the amount of benefits that are clawed back. If benefits are ceased at a certain level of employment earnings, for example, the effective tax rate for employment income above that level of earnings will be very high. Accordingly, the incentive to work would be very low.

Figure 1 illustrates the AETR for beneficiaries in disability programs within several European countries (OECD, 2010a). The figure demonstrates the change in the AETR (y-axis) as the number of weekly hours at an average wage changes (x-axis). The higher the AETR, the greater the disincentive to work, as the AETR reflects how much of the employment earnings at the given weekly hours amount is taxed back through income taxes or benefit clawbacks. As is evident, there is a considerable amount of variation in taxation and earnings exemption schemes. The Netherlands scheme offers little incentive to work regardless of the number of hours worked, as the AETR remains at approximately 80 per cent or higher. In other words, a beneficiary who works between 10 and 26 hours retains only 20 per cent of their employment earnings. As an even stronger disincentive, the Netherlands, in addition to Finland and Ireland, have AETRs above 100 per cent at certain levels of earnings; this means an individual loses more income than they acquire (relative to receiving disability benefits). In contrast, Spain, Luxembourg and Australia have relatively lower and more evenly distributed AETRs. A disability benefit recipient in one of these countries keeps more of their income and has less taxed backed or less of their benefits reduced (clawed back) when they earn employment income.

Figure 1: Differences in AETRs in disability pension programs



Note: Adapted from OECD, 2010a (p. 122); used with permission.

3.1.2. *Interactions with other Disability Assistance Providers*

Some beneficiaries may receive income support through provincial or state social assistance programs or employment-related private disability insurers, in addition to a national program. The benefit structures between these income support providers may not sync with one another; there may be different effects on benefits for different levels of employment earnings. For instance, a certain level of employment earnings may have no impact on benefits from a public disability program, but the same level of employment earnings may result in a reduction of benefits from a private disability insurer.

Stapleton (2009) investigated this issue with respect to CPPD and argued that this issue is particularly problematic due to the number of programs and providers that offer disability benefits in Canada. In some cases, PWDs may be able to stack multiple benefits, resulting in rare instances where disability benefits exceed pre-disability employment income. Additionally, due to complex arrangements between the multiple disability assistance providers, there may be confusion surrounding which benefits are cut back and which ones are retained if a beneficiary has employment income. This confusion, Stapleton argued, serves as a disincentive to work.

An OECD (2010b) report on disability income security policy in Canada highlighted the complex arrangement of benefit and employment support providers, and echoed many of Stapleton's findings. The convoluted arrangement and the resulting gaps in support, the authors argued, has forced federal and provincial governments to add additional layers of support to address these gaps, thus creating a complicated patchwork of policies and programs. The report's recommendations include a proposal for better coordination among programs and a more client-centred approach to program design and delivery in order to improve participation of PWDs in the workforce.

A more thorough study by Stapleton, Procyk and Kochen (2011) analyzed barriers to working for recipients of Ontario Disability Support Program (ODSP), a provincial social assistance program for PWDs, by examining the experiences of beneficiaries. The report concluded that a number of barriers operate as disincentives to employment. One of the prevalent issues was the existence of different rules for different programs with respect to employment earnings exemptions—often resulting in multiple deductions for the same dollar of earnings. For instance, a client with employment

earnings may lose some of their ODSP benefits as well as benefits from another disability assistance provider from the same dollar of employment earnings. This loss of multiple sources of income significantly increases the effective tax rate. Although this is not the case with clients of both ODSP and CPPD, the interactions between the two programs reflect the disincentives to working that exist in the broader disability support system. As an added layer of complexity, effective tax rates can vary between individuals receiving income support from the same disability program due to differences between PWDs in their sources of income support.

3.1.3. *Health and Work-Related Costs*

Although two people can be diagnosed with the same medical condition, the effect of that condition on each individual may differ. Some may require special accommodations to travel to and from work; others may encounter physical barriers to completing the required tasks on a job site; still others may require flexibility in work schedules due to the nature of their disabilities (WHO, 2011). As a result, many individual-specific factors arise that may both discourage and disincentivize work.

Disability beneficiaries who are employed may experience higher costs to working as a result of requirements for special accommodations for travelling to work or performing their work. Consequently, the reservation wage—the lowest wage at which an individual is willing to work—can be much higher for disability beneficiaries than for non-disabled individuals. Despite a higher reservation wage, however, a disabling health condition may make an individual less productive, and they may thus be offered a lower market wage (ibid.). These two factors create a significant financial disincentive to work.

3.2. Role of Rational Decision-making

According to economic theory, individuals will make rational choices that maximize their utility. For a disability beneficiary, a simplified version of rational choice consists of a tradeoff among three components: how much the beneficiary receives in benefits, how much he or she could earn by working, and how much effort he or she would have to expend to work. If benefits exceed the sum of potential employment

earnings and the monetized value of effort required for that employment, the rational decision is not to work and continue to receive benefits.³

It should be stressed, once again, that this type of rational decision-making may apply to only a few beneficiaries on a disability pension—those who possess the capacity to work beyond the point a program sets as becoming ineligible for benefits.⁴ In a longitudinal study of US Social Security Disability Insurance (SSDI) beneficiaries, Schimmel, Stapleton and Song (2011) found this figure to be approximately 0.2 to 0.4 per cent of the total caseload. The authors compared differences in employment earnings as a result of the 1999 increase in monthly substantial gainful activity (SGA) earnings from \$500 to \$700.⁵ The researchers analyzed the earnings data of beneficiaries from two cohorts—one that began receiving benefits prior to the SGA change and the other that was affected by the new SGA rules—and compared the earnings levels of these cohorts between the year individuals ended the Trial Work Period and two years after the end of the Trial Work Period.⁶ In comparing earnings across the two periods, the authors found statistically significant results that indicated approximately 2.2 per cent of these clients were “parking” their earnings below the SGA to avoid losing their benefit eligibility, translating into 0.2 to 0.4 per cent of the entire caseload. Although the 0.2 to 0.4 per cent figure may appear to be insignificant, it is a considerable number when calculating the number of clients on the caseload.⁷

³ For a review of the literature on disability benefits and their relation to economic theories and concepts such as supply and demand, rational choice, moral hazard, and Pareto optimality, see Kimberlin & Ager, 2009.

⁴ Point in this instance refers to income or number of hours worked, as determined by the program. Some programs phase out benefits as earnings rise, and decisions for beneficiaries about working and working more are influenced by the rate at which benefits are phased out.

⁵ The SGA in the US SSDI program is analogous to SGO in the CPPD program. It is the point at which adjudicators determine the eligibility of benefits for applicants and the cessation of benefits for clients.

⁶ The Trial Work Period was designed to encourage clients to return to SGA levels by allowing them to test their ability to do so without losing their benefits. A client is allowed to earn as much as they want for up to nine months during a 60-month period.

⁷ For CPPD, with a caseload of about 316,000 clients, this would translate to approximately 600 to 1,200 clients, which is approximately half the number of clients who currently return to work.

Not all decisions, however, are guided by simple income maximization based on complete knowledge of available options. For some beneficiaries, a lack of communication or awareness of return to work incentives or program policies may inhibit their ability to make rational decisions about whether to work and how much to work.

3.2.1. *Awareness of Incentives*

A lack of effective communication and awareness of policies is a problem that plagues many different government programs and, understandably, is an issue with disability programs as well. In a study of awareness of Social Security Disability Insurance (SSDI) work incentives for people with psychiatric disabilities in the United States, MacDonald-Wilson et al. (2003) found a very low level of knowledge of these work incentives. In the United Kingdom, a joint report from a number of government departments was released in 2005 outlining strategic policy directions for PWDs. As part of the report, several focus groups were conducted to gather input from PWDs, and one of the major findings was that literacy of financial incentives to return to work provided by tax credits was low (Prime Minister's Strategy Unit, 2005).

3.2.2. *Ability to Assess Costs and Benefits*

While a low level of awareness of work incentives and program policies may contribute to a lack of willingness or motivation on the part of a beneficiary to take up work, the complexity of policies and tax structures may compound the problem by making comprehension difficult. Accordingly, if policies regarding how much a beneficiary is allowed to work are not clear and easy to understand, they may induce a fear of a loss of benefits. In the MacDonald-Wilson study (2003), the greatest concern among focus group participants was the potential loss of medical and health benefits, as only 15 per cent were aware of the continuation of health insurance during the trial work period (ibid., 304). Hence, if beneficiaries do not fully comprehend existing benefit and taxation structures within a disability program or interactions with other social assistance programs, they may be reluctant to work out of fear of losing all or part of their disability or social assistance benefits.

3.3. Gaps in the Literature

Research on work capacity among PWDs is scarce and in many instances is difficult to ascertain through studies. As evidenced by some of the literature on disincentives (MacDonald-Wilson et al, 2003), some beneficiaries may be reluctant to admit that they have a capacity to work out of fear that they may lose their benefits. Moreover, the complex interplay between the different disability assistance providers (OECD, 2010a; Stapleton, Procyk and Kochen, 2011) may add an additional layer to this fear that results from a lack of awareness about program rules and available incentives.

It is difficult to accurately gauge the role that fear of losing benefits plays as a disincentive to work. In order to inform our thinking on the subject, the research conducted in this capstone consists of interviews with academics familiar with the subject matter as well as individuals from disability agencies. These interviews are supplemented by an analysis of Statistics Canada data to provide insight on the matter.

A second significant gap in the literature pertains to the lack of research specifically on CPPD. While it is possible to draw inferences from the research conducted on other disability programs and make parallels to CPPD, this is not the ideal approach. Programs can differ in their definition of disability, its eligibility criteria, the demographic composition of their caseloads, and their policies regarding employment. These differences render it difficult to make generalizations across programs. Therefore, in order to isolate the institutional disincentives within CPPD, an analysis of its institutional structure is required. Following this examination in the subsequent chapter, the information on the program's structure is used to inform the research and policy analysis of the disincentive and awareness issues specific to CPPD and its clients.

4 CPPD: How do Beneficiaries Return to Work?

CPPD currently has a number of return-to-work measures to incentivize and encourage beneficiaries to take up employment. These measures can be categorized into *passive* and *active* supports. Passive supports refer to policies that permit and encourage beneficiaries to work and to improve their prospects for attaining work. Active supports refer to measures where CPPD actively takes steps to improve the employability of its beneficiaries. Since this capstone is primarily concerned with institutional disincentives, this chapter focuses on an overview of passive return-to-work measures.⁸ An illustrative example is provided in Appendix B to demonstrate how all of these incentives and supports can be used.

4.1. Passive Return-to-Work Measures

4.1.1. *Suite of Work Incentives (1995)*

As a result of an increased focus on addressing low return-to-work rates and encouraging clients to work to their capacity, four incentives were introduced together to encourage beneficiaries to work. The Volunteer Work Activity Incentive allows beneficiaries to participate in volunteer work without the risk of being reassessed for benefit eligibility. Similarly, in an effort to increase the employability of beneficiaries, the Educational Upgrading and Training Incentive permits clients to enroll in full-time courses or upgrade their skills through training without the risk of losing their benefits.

⁸ Much of the information in this chapter was acquired while the author worked for CPPD during the summer of 2011. This information is also publicly available (see Torjman, 2002). As a result, unless otherwise referenced, sources are not provided for some technical details and figures.

The two remaining initiatives included a work trial and an expedited re-entry onto the benefit. The Three-Month Work Trial was made available to beneficiaries who wished to test their ability to work and to determine whether they would be able to work regularly if they were no longer receiving benefits. The work trial is currently available to clients who have demonstrated a potential to work at a substantially gainful level; it allows them to collect employment earnings at this level for three months while still receiving CPPD benefits. Under the Fast-Track Reapplication, if a client leaves the benefit and returns to the workforce, he or she may re-apply through a shorter application process within five years of having his or her benefits terminated. They are then eligible only if they experience the same or related disability and cannot work at a substantially gainful level.

4.1.2. Allowable Earnings (2001)

Allowable Earnings (AE) was introduced to supplement the four work incentives introduced in 1995. It was implemented to serve as a communications tool to inform clients of the amount of employment income they are allowed to earn without being required to inform CPPD or face the risk of being reassessed for benefit eligibility based on their income alone. In 2011, the AE amount was \$4,800 per year. Clients earning below this amount are not required to report their earnings. Once earnings reach the AE amount, however, clients are required to report their earnings, and they face the possibility of a reassessment to determine if they have regained the ability to work at a substantially gainful level. The AE policy serves an additional purpose in providing a level of earnings at which CPPD can contact a beneficiary to provide encouragement and individualized support if the beneficiary is capable of working further.

4.1.3. Automatic Reinstatement (2005)

In order to improve upon the Fast-Track Reapplication Incentive, Automatic Reinstatement (AR) was introduced to allow CPPD beneficiaries who leave the benefit to work to have their benefits restarted if they are unable to work due to a recurrence of the same disability. The Fast-Track Reapplication, in contrast, applies to individuals who wish to return to CPPD benefits as a result of the same or related disability. Beneficiaries are able to take advantage of AR for a period of two years from the time their benefits

are terminated, and there is no limit to the number of times this can be requested (Service Canada, 2010).

4.2. Active Return-to-Work Measures

4.2.1. Vocational Rehabilitation (1998)

The Vocational Rehabilitation (VR) Program is the main policy instrument within the active return to work measures. VR was fully implemented in 1998 following a successful pilot. It provides services tailored to individuals who show a potential to return to work (Torjman, 2002). These services include assessment and planning for the beneficiary, funding for training and tuition, and workplace accommodations if the beneficiary is working or job search assistance if they are not. These targeted supports are designed to support beneficiaries in their transition from CPPD income support to regular employment.

5 Methodology

This capstone aims to find policy reforms that would increase the number of beneficiaries with employment earnings, and consequently the number of beneficiaries who exit the benefit and return to work. This project seeks to explore ways in which institutional disincentives within CPPD for clients attempting to return to work can be addressed through one or more policy options. The following research question establishes the framework for the project:

- ❖ What inhibits CPPD clients from working?

This study employs primary data to answer the research question. The methodology consists of the following two sources of information: (1) Participation and Activity Limitations Survey (PALS) data analysis and (2) semi-structured interviews with academics and representatives from disability organizations.

5.1. PALS Data Analysis

The PALS is distributed as a post-censal survey for individuals who reported in the Census that they had an activity limitation because of a condition or a health problem. The PALS gathers information on difficulties and barriers these individuals may face. It also collects employment information such as whether an unemployed individual could have started a job if one had been available or whether he or she has been looking for work.

PALS data collected in 2006 are available through Statistics Canada. The microdata are not available online, but an application was made to the Simon Fraser University (SFU) Research Data Centre to access it. Through an agreement between SFU and Statistics Canada, SFU students are able to access the data on-site. While the

research and analysis for this capstone are based in part on data from Statistics Canada, the opinions expressed do not represent the views of Statistics Canada.

One caveat with the PALS is that it employs a different definition of disability from that used by CPPD (severe and prolonged disability). As expected, not all respondents to the PALS are CPPD beneficiaries. However, questions in the survey do allow respondents not receiving CPPD benefits to be filtered out.

A two-step process was required to filter out non-CPPD beneficiaries and to analyze only the responses of the subpopulation of PALS respondents who receive CPPD benefits. First, respondents who did not answer “Yes” to the question in the survey asking the respondent whether they received CPPD or Quebec Pension Plan Disability (QPPD) benefits in the previous year (2005) were filtered out. Secondly, in order to isolate only CPPD beneficiaries among this subpopulation of respondents, the variable with province of residence data was dichotomized—into those living in Quebec and those living outside of Quebec. Respondents from Quebec were filtered out to screen out QPPD recipients.

All output data were required to meet Statistics Canada requirements. Frequencies below ten in cross tabulations are not permitted to be released to the public. As a result, these cases were collapsed with responses from similar categories. For example, the majority of cases with frequencies below 10 were instances where individuals responded “don’t know” or had refused to answer. Unless otherwise noted, these responses were combined with the category “was not asked” that applied to respondents who were not asked the particular question. The “was not asked” category is included in the percent column, but is excluded from the valid percent column. This was the only requirement that resulted in notable changes to the output.

The above-mentioned rules regarding minimum cell frequency counts only applied to the corresponding unweighted data. All output released and presented in tables in this report are weighted data in order to meet the conditions for public release.

Frequency counts were also required to be rounded to base ten and percentages to be rounded to a tenth of a percentage (Yei, 2006).⁹ The purpose of weighting data is to produce estimates that would be obtained if the entire population of PWDs were surveyed. This is done by attaching weights to a case according to the number of people in the population that case represents. Statistics Canada calculates the weight applied to the cases in a three-stage process that considers the sampling design, makes adjustments for non-responses, and includes post-stratification.¹⁰

The rationale for analyzing these data is that research on work capacity among CPPD beneficiaries is scarce. Consequently, it is difficult to accurately gauge how much of the CPPD caseload at a given time is capable of working or working to the point where they can leave the benefit (SGO). For this reason, an analysis of responses by CPPD beneficiaries to the PALS questionnaire is important for providing insight into work capacity and thus legitimizes the investigation of the research question.

5.2. Semi-Structured Interviews

While the primary aim of the data analysis is to investigate what proportion of CPPD beneficiaries who are able to work, but do not work, the purpose of the interviews is to gain insights into why those who have the ability to work do not work. In particular, the aim of these interviews is to extract information about institutional disincentives to working, and to understand the experiences of CPPD beneficiaries through individuals who are in contact with them.

Semi-structured interviews were conducted that included topics such as demographic information about clients who work, knowledge and awareness of CPPD policies, and potential areas for improvement for CPPD with respect to communication.

⁹ As a result of rounding, some frequency counts and percentages in tables may not add to the specified total.

¹⁰ Further information regarding the Statistics Canada procedures for weighting can be found in the PALS Methodological and Technical Report (Statistics Canada, 2006).

Semi-structured interviews allow for two-way communication between the interviewer and the interviewee. This type of communication and the corresponding flexibility with which the interviewee can direct the discussion is important given the nature of the inquisitive research being done (LaForest, 2009). More specifically, because of the wide range of work disincentives that exist, some interviewees may require prompts to elicit opinions about specific disincentives. A semi-structured format allows the interviewer to have greater control of the direction of the discussion while still granting the interviewee freedom and flexibility in their responses.

It is not uncommon for interviewees to stray from the interview guide. This can be beneficial because it provides the opportunity to identify new ways of seeing and understanding the topic. A semi-structured interview allows the interviewee to probe and tease out strands of this alternative narrative (Leech, 2002). This is particularly important for the purposes of this paper given the relative lack of research conducted on the topic of work disincentives, specifically for CPPD.

Individuals receiving CPPD benefits were not interviewed for a number of reasons. On the one hand, it would be difficult to reach these clients because CPPD would not be able to disclose contact information for their clients due to privacy concerns. As a result, participants would need to be accessed through alternative methods such as convenience or snowball sampling. With these types of methods, however, the quality of the data may be compromised because it would be difficult to collect a representative sample of the caseload. Furthermore, with clients being an at-risk population, attaining ethics approval to conduct interviews with these individuals would be difficult.

As a result of these constraints, interview participants consisted of key informants who have either conducted extensive research on disability programs and disability income assistance, are knowledgeable about these topics, or work with people on CPPD. Interview participants were divided into two categories and are listed in Table 1 alongside their affiliating organization. The interview guide is provided in Appendix C.

Table 1: List of interview participants organized by category

Disability Agencies	Academics
<ul style="list-style-type: none"> ▪ Robin Loxton <i>Director of Advocacy Access, BC Coalition of People with Disabilities (BCCPD)</i> ▪ Manon Nadeau <i>Director of Employment Services, Canadian Council on Rehabilitation and Work (CCRW)</i> ▪ Pam Lahey <i>Planning and Policy Analyst, Canadian Mental Health Association Ontario (CMHA)</i> ▪ Ulrike Kleemann <i>Multiple Sclerosis Society BC and Yukon Division (MS Society)</i> 	<ul style="list-style-type: none"> ▪ Michael Prince <i>Professor, University of Victoria</i> ▪ John Stapleton <i>Open Policy Ontario</i> ▪ Senior researcher¹¹

In total, seven interviews were conducted across the two categories with the aim of achieving a relative balance between the categories of interviewees. For academics, Michael Prince and John Stapleton have written extensively on the subject of disability income assistance so it was important to canvass their insights on issues surrounding work disincentives for CPPD clients. In the case of the disability agencies category, the aim was to collect responses from a variety of organizations, both federally and provincially, and across different regions in Canada. Although many of these agencies are primarily concerned with advocacy, their opinions were sought because their mandates stressed the importance of PWDs participating in and contributing to their communities. One way this connection with their communities can be achieved is through paid or volunteer work, and as such, these organizations are interested in removing barriers and disincentives to employment.

¹¹ This interview participant did not want to be identified, and in order to remain anonymous is referred to as a senior researcher throughout the paper.

Email invitations were sent to each of these individuals, and a telephone interview was arranged at a time convenient for the interviewee. With the exception of one participant, all participants consented to allowing the interview to be recorded and for their names to be used in indentifying their responses.

6 Data and Interview Analysis: What Inhibits CPPD Clients from Working?

This chapter analyzes the data collected from the PALS survey and the interviewees; sections are divided according to the themes that emanated from these sources. Due to the breadth of information presented, this chapter concludes with a summary of insights from the data.

6.1. Work Capacity

Prior to proceeding with the analysis of the factors that play a role in serving as obstacles to employment, an examination of PALS data was undertaken to provide insight into work capacity of CPPD clients. A number of questions in the PALS questionnaire can provide such insight. These can be categorized into questions for those unemployed and those employed to determine whether clients are able to work and whether they are able to work more, respectively. The first question (Table 2) in the employment details module defines these categories as well as other employment status categories that are used throughout the survey.

Table 2: “Last week, did you work at a job or a business?”

	Frequency	Percent	Valid Percent
Not asked/ Don't know	21780	4.5	0.0
Yes	29420	6.1	6.4
No	243760	50.6	52.9
Completely prevented from working	182330	37.8	39.6
Refusal	4880	1.0	1.1
Total	482170	100.0	100.0

Four categories of employment status were established in the survey, with sections of the questionnaire dedicated to each of these categories: 1) employed, 2) unemployed, 3) not in the labour force, and 4) retired. Participants who answered “yes” to the question asking them if they possessed employment in the previous week (Table 2) were categorized as employed, those who responded “no” were grouped as unemployed, while survey respondents indicating they were “completely prevented from working” were classified as not in the labour force.¹² A question later in the survey identified those who were retired, but this may include only a very small number of CPPD beneficiaries because the benefit is not available to those claiming CPP retirement benefits.¹³

Of the CPPD clients who responded to this question (excluding the negligible responses for “don’t know”), 6.4 per cent stated that they were working in the previous week. Conversely, over half said they were not working, while 39.6 per cent disclosed that they were completely prevented from working. There are a variety of potential explanations as to why over half the respondents said they were not working. It is possible, however, that a proportion of these respondents were not working for a reason other than their disability, and that proportion of respondents may not be working despite having the capacity to do so.

Regardless of the interpretations that can be made from the responses to the question in Table 2, other questions in the survey offer more concrete insight into work capacity. The information in the following tables was extracted from the employment

¹² The answers used to ascertain the definitions of different employment categories within the PALS differ slightly from those traditionally used by Statistics Canada. Unemployed are without work, are available to work, and are actively seeking work; not in the labour force are defined as those who are unwilling or unable to offer labour services (including full-time students attending school).

¹³ For some of these categories, the classifications were not entirely drawn from this question. The unemployed category, for instance, was further defined in another question in the same module of the questionnaire. As a result, the proportions outlined in Table 2 may not reflect the proportions when only a specific category of survey respondents were asked questions.

details module of the questionnaire, and applied to respondents who were categorized as employed as per the survey's classification.

Table 3: “Does your condition limit the amount or kind of work you can do at your present job or business?”

	Frequency	Percent	Valid Percent
Not asked/ Don't know/ Refusal	451620	93.7	0.0
Yes	19840	4.1	64.9
No	10720	2.2	35.1
Total	482180	100.0	100.0

Approximately two-thirds of respondents who were employed at the time of the survey felt that their condition limited the amount or kind of work they could do at their present jobs or businesses (Table 3). The remaining one-third of respondents did not feel limited in the amount or kind of work they were able to do. It is possible that a small proportion of these individuals were employed full-time and thus should not be expected to work more, or were working less than full-time as a result of other obligations in their lives. It is not known how many of these individuals comprise the one-third of respondents who answered “no,” but the results of this question give a sense of how many employed CPPD clients may have the capacity to work more.

Table 4: “What is the main reason you usually work less than 30 hours per week?”

	Frequency	Percent	Valid Percent
Not asked/ Don't know/ Refusal	463510	96.1	0.0
Own illness, condition or disability	11390	2.4	61.1
Other	7260	1.5	38.9
Total	482160	100.0	100.0

The question above (Table 4) extracted the respondents who usually work less than 30 hours per week from the entire subsample of those categorized as employed, and asked what the main reason was that they worked less than 30 hours. The data presented in Table 4 divide the responses into the respondents' own illnesses or

conditions and other reasons—the latter of which was combined as a result of Statistics Canada requirements. The “other” category includes a variety of reasons such as caring for family members or relatives, going to school, business or labour conditions, and not wanting to work more. Similar to the results of Table 3, there was approximately a one-third to two-thirds division between those who are limited by their condition and those who are either not limited or are constrained by other commitments and responsibilities.

While the questions directed to employed respondents shed light on work capacity with respect to those who work versus those who can work more, the questions posed to unemployed respondents provide information about work capacity with respect to working versus not working. In the latter part of the employment status module of the questionnaire (where the results from Table 1 were derived), respondents who indicated they were not working were asked questions about whether they looked for work and their ability to work. Table 5 provides the results from this subsample.

Table 5: “Did you look for paid work during the past four weeks?”

	Frequency	Percent	Valid Percent
Not asked/ Don't know	236360	49.0	0.0
Yes, looked for full-time work	3420	0.7	1.4
Yes, looked for part-time work (less than 30 hours per week)	5360	1.1	2.2
No	231230	48.0	94.2
Refusal	5800	1.2	2.4
Total	482170	100.0	100.0

Of the unemployed CPPD respondents who answered the question about whether they looked for paid employment in the previous four weeks, 1.4 per cent disclosed that they looked for full-time work and 2.2 per cent stated that they looked for part-time work (defined as less than 30 hours per week), for a total of 3.6 per cent looking for work. In sharp contrast, 94.2 per cent said they did not look for paid employment. It is possible to use this question as a proxy for work capacity, but it may not be a suitable measure because it illustrates how many looked for work as opposed to how many have the capacity to work, which may not be the same in some cases.

Table 6: “Could you have started a job last week had one been available?”

	Frequency	Percent	Valid Percent
Not asked/ Don't know	466170	96.6	0.0
Yes, could have started a job	4120	0.9	25.7
No, because of temporary illness or disability	1060	0.2	6.6
No, retired	3060	0.6	19.1
No, other reasons	2250	0.5	14.1
Refusal	5520	1.1	34.5
Total	482180	100.0	100.0

The respondents from the previous question (Table 5) who stated that they were looking for either part or full-time work or refused to answer were asked whether they could have started a job had one been available in the previous week (Table 6). From the small sample of respondents who answered, slightly more than one in four stated they could have started a job, 6.6 per cent said they could not as a result of a temporary illness or disability, and the remaining one-third said they could not because they are retired or for other reasons. Similar to the previous question, potential issues arise with using the results from this question to provide insight into work capacity. In particular, the sample was restricted to those who stated they were looking for work, and thus may not be an accurate reflection of the entire CPPD population.

Interestingly, one question in the module (“Does your condition completely prevent you from working at a job or a business?”) for respondents categorized as not in the labour force yielded surprising results. Table 7 reveals the responses from this question, and the results suggest an incongruity between what is stated and what is being revealed.

Table 7: “Does your condition completely prevent you from working at a job or a business?”

	Frequency	Percent	Valid Percent
Not asked	329400	68.3	0.0
Yes	120760	25.0	79.0
No	25270	5.2	16.5
Refusal/ Don't know	6740	1.4	4.4
Total	482170	100.0	100.0

Of the participants in Table 2 who stated that they were completely prevented from working, and thus defined as not in the labour force, about eight in ten respondents confirmed that that their condition completely prevents them from working, but 16.5 per cent stated that their condition does not completely prevent them. This may indicate that the proportion of those who are not working but have a capacity to work (at any level) is higher than is being suggested by the results from the other questions in the survey.

6.2. Fear of Losing Benefits or Supports

The finding in the previous section with respect to the possible discrepancy between what is being stated and what is being revealed underlines a potentially more significant issue with the PALS data. The results of the survey are based on what individuals self-report and not on an objective indicator of work capacity. Realistically, it would be very difficult to develop or implement an objective measure for work capacity, and a survey is most likely the best and most efficient tool available to collect information about a large population.

The limitations of the PALS, however, are still present and should be acknowledged. Specifically, because individuals are reporting based on their beliefs or what they perceive their abilities to be, some CPPD clients participating in the PALS may be reluctant to accurately disclose their true capacity to work out of a fear of losing their benefits. As was previously stated, CPPD has relatively strict eligibility criteria, and because applicants must prove their inability to work (at a substantially gainful level) in

order to become eligible, they may be averse to revealing an ability to work. This is evident in a few instances in the PALS data, one of which is in Table 8.

Table 8: “Did you look for paid work during the past four weeks?” (non-CPPD)

	Frequency	Percent	Valid Percent
Not asked/ Don't know	2481770	62.4	0.0
Yes, looked for full-time work	53820	1.4	3.6
Yes, looked for part-time work (less than 30 hours per week)	50240	1.3	3.4
No	1371770	34.5	91.8
Refusal	18650	0.5	1.2
Total	3976240	100.0	100.0

In order to investigate the theory that CPPD clients may be reluctant to disclose their work abilities, the subsample of CPPD clients was compared to the remainder of PALS participants (non-CPPD). In the latter subsample, when asked if they looked for work during the past four weeks, 0.5 per cent of all non-CPPD respondents refused to answer the question, which was equivalent to 1.2 per cent of those who were asked the question (Table 8). In comparison, when CPPD respondents were asked the same question, 1.2 per cent of all CPPD clients in the PALS refused to answer, which was 2.4 per cent of those who answered the question (Table 5). With approximately twice as many CPPD clients refusing to answer the question that potentially hints at work capacity, this supports the hypothesis that CPPD clients may be reluctant to reveal their work capacity.

Table 9: “Could you have started a job last week had one been available?” (non-CPPD)

	Frequency	Percent	Valid Percent
Not asked/ Don't know	3830590	96.4	0.0
Yes, could have started a job	84420	2.1	58.0
No, because of temporary illness or disability	11510	0.3	7.9
No, retired	14720	0.4	10.1
No, other reasons	17000	0.4	11.7
Refusal	18000	0.5	12.4
Total	3976240	100.0	100.0

The subsequent question (Table 9) in the survey yields the same results and similarly suggests a greater unwillingness amongst CPPD clients to disclose work abilities. Of all non-CPPD PALS respondents, 0.5 per cent refused to answer whether they could have taken up employment in the previous week had a job been available, which comprised 12.4 per cent of those who answered the question. In contrast, 1.1 per cent of CPPD clients in the PALS refused to provide an answer to the same question, which was the equivalent of 34.5 per cent of those who were asked (Table 6).

The results of Table 10 lend credence to this argument and provide relatively more concrete evidence. In the “not in labour force” module of the questionnaire, CPPD clients were asked about barriers that discouraged them from looking for work, and had the option of selecting all that applied. Of the 46,990 (weighted) respondents, the most commonly selected response was loss of income (or benefits) as almost one in three agreed that the fact that they would lose all or some of their current income served as a disincentive to looking for work. The next three highest selected responses were the lack of available jobs, lack of transportation, and inadequate training with 22.1 per cent, 21.8 per cent, and 21.7 per cent, respectively. The high number of respondents that selected

loss of income as a barrier illustrates the strong disincentive a perceived fear of losing benefits poses to clients who are looking to work.¹⁴

Table 10: “Barriers that discourage you from looking for work.”

	Frequency	Valid Percent
Lose Income	14,450	30.8
Lose Supports	7,800	16.6
Been Discouraged	1,900	4.0
Family Responsibility	3,100	6.6
Not Adapted to Needs	8,140	17.3
Worry Being Isolated	4,320	9.2
Been Discriminated	4,630	9.9
Not Adequate Training	10,230	21.7
Lack of Transportation	10,240	21.8
No Jobs Available	10,400	22.1
Other	7,240	15.4
Refusal	11,260	24.0
Total Asked: 46,990		

Many of the interview participants echo the same sentiment with respect to the perceived fear of losing benefits and its relationship to a reluctance to demonstrate a work capacity. Robin Loxton of the BCCPD feels that the strict eligibility criteria for CPPD play a role in the perceived fear of losing benefits. Loxton contends that prospective clients must show during the application process that they are not capable of working in a substantially gainful occupation, but that they often tend to show a lesser capacity for work: “If you say that you are able to work, or that you’re interested in

¹⁴ Some of these CPPD clients may also be receiving benefits from provincial disability programs or private disability insurers who have different rules regarding employment earnings, and as such, may actually lose some income (benefits) once they begin working. In Ontario, for instance, benefits are clawed back by 50 per cent for every dollar of employment earnings. However, in an interview John Stapleton stated only 10 per cent of the ODSP caseload also receives CPPD, and this may be the case for other provincial disability programs as well.

retraining or vocational services, that is used against you during the application process.” As a result, he argues that applicants who have long-term plans to go back to work will not reveal such plans in the application or appeals process because “nine times out of ten” that will be used against them.

The fear of losing benefits and the unwillingness to display or disclose work capacity persists after clients are granted CPPD benefits. Pam Lahey of the Ontario CMHA shares the same views as Loxton. Lahey maintains that CPPD clients who wish to go back to work, but are not sure of their ability to work full-time or to find employment that would allow them to work the number of hours they are capable of working, will ask themselves if they should go back to work. Clients do not want to risk being cut off CPPD benefits if they are not successful and cannot work. Based on her interactions with CPPD beneficiaries and service providers who provide services to them, Lahey recognizes the role fear of losing benefits plays: “Whenever I’ve heard of people who have been on CPPD, [fear of losing benefits] is their number one concern.”

While a fear of losing benefits discourages clients from taking up employment, the Allowable Earnings (AE) policy may serve as a disincentive to those who wish to work more. The purpose of AE, as noted earlier, is to exempt clients from being required to report their employment earnings if they are below the AE amount. However, there may be some confusion surrounding the policy, and in some cases it is misconstrued as the point at which benefits are cut off. Loxton understands the AE policy, but feels that many clients believe that once they reach the AE threshold, their benefits are automatically cut off.

Ulrike Kleemann of the Multiple Sclerosis Society agrees that there is a misperception about AE: “[If a client has] two to three hundred dollars over the allowable amount, there is a misperception that they will be immediately cut off, and we have to keep explaining to them that that is not necessarily the case and that situations are handled differently.” Clients who understand the policy may feel that they could lose their benefits once they reach the AE threshold because, according to Loxton, “you are obliged to report it and in many cases CPPD will look into it.” In both instances, the AE policy serves as a disincentive rather than an incentive to work for clients who have the capacity and are willing to work more.

The strict eligibility criteria are also a factor for those who do not want to go through the application process again (even if it is expedited), which can be a difficult process for some. Kleemann argues that for many of the individuals she works with who have multiple sclerosis, the application process was difficult because of the nature of their symptoms; they do not want to risk losing their benefits and be forced to battle to get back onto CPPD. Similarly, Loxton summarizes why some clients may be averse to working as a result of a fear of losing their benefits, and the resulting difficulties in reapplying:

It [is] not always easy to qualify, and if they think they have to go through this process all over again—and it may be more difficult the second time because you [have] been in the workforce perhaps or done training—there is a fear that may be used against you when you reapply. That is very much a reality for a lot of people.

The senior researcher who was one of the interview participants describes this as the “really high fence that is erected around the program.” He explains that applicants must get through the application and appeals process, and go through “all sorts of hoops and whistles” to show that they essentially cannot work. Once they are eligible, CPPD asks the client if they would like to work, and he argues that this is completely illogical.

In summary, clients are worried that they may do something or say something that could potentially lead to them being reassessed, and it is this fear that serves as an obstacle to those who would like to work or try out their ability to work.

6.3. Communication and Awareness of Policies and Incentives

The perceived fear of losing some or all of their benefits may stem in part from a lack of adequate communication by CPPD of return-to-work incentives, resulting in poor comprehension of these incentives. As discussed in the previous section, there may be issues with how some clients are comprehending and interpreting the AE policy, resulting in these clients being hesitant to accumulate employment earnings at or close to the AE level even if they have the capacity to do so. Michael Prince, who has written extensively on the CPPD program, agrees that the program needs to clarify the AE

policy for clients so that they are aware that they can earn “well over \$800 per month” (the SGO amount equals approximately \$960 per month) without jeopardizing their benefits. Further, Kleemann points out that there is no place where CPPD explains what is meant by “substantially gainful”, and this creates difficulties when her organization has to explain it to clients.

One study conducted at CPPD reaffirms these awareness and comprehension issues. In the study of a total of 100 participants (51 granted and 49 denied applicants) over twelve focus groups, responses were collected from the granted group on both the familiarity (which can be used as a proxy for awareness) and comprehension of CPPD policies (HRSDC, 2008b). To define familiarity, researchers asked clients whether they had heard or read a specific term previously, while comprehension was whether a client understood what the term meant either by familiarity or by simply looking at the name. Approximately 14 per cent of the sample stated they were familiar with AE, whereas 100 per cent said they comprehended it. While it is possible all of the participants who were asked about AE understood it, it is more likely given the low level of awareness that a portion of these clients falsely believed they understood the policy based on what the name implies.

The results were, for the most part, worse for other provisions or terms. About 42 per cent stated that they were familiar with the volunteer work incentive, and 100 per cent of the participants agreed that they comprehended it, as per the study’s definition of familiarity and comprehension. However, only 2 per cent were familiar with Automatic Reinstatement and the Three-Month Work Trial, while no one comprehended the Three-Month Work Trial and 2 per cent felt that they comprehended automatic reinstatement. The worst term in terms of familiarity and comprehension was substantially gainful occupation, as none of the focus group participants felt they were familiar with it or comprehended it.

The problem, however, may not lie solely with CPPD. The program has made improvements over the years in the information it provides to its clients. Yet, as Prince suggests, clients may “in a quantitative sense” obtain more information from CPPD, “but what weight they give to it as opposed to a lawyer, a neighbour, or a friend who may be a critical opinion source for them may be much less.” Prince uses the hypothetical

example of a CPPD client who might be thinking about going back to work but who becomes nervous and is reluctant to take the chance to go back into the labour force after seeing and receiving advice from his or her physician.

To address this issue, Prince recommends working more closely with doctors or physicians who are conducting medical assessments. He feels that the “medical gatekeepers,” as he calls them, are a set of stakeholders that need to be examined because their documentation on the severity of an applicant’s disability is crucial to determining whether someone is eligible for CPPD. Accordingly, CPPD should not have doctors focus simply on limitations, but also on where there may be capacities or abilities. Prince believes working more closely with doctors would not cost a lot of money, as the objectives can be achieved through conferences, workshops, dialogues, or information bulletins to “get people on the same page.”

It may be the case that clients place more weight on the advice and opinions of acquaintances and professionals outside of CPPD—and may in part be a result of the reluctance to reveal any information about work capacity to CPPD officials—but CPPD could improve how it communicates information. John Stapleton, who has conducted a considerable amount of research into Canada’s disability income support system, agrees that there is room for improved communication by simplifying the language and reducing the amount of jargon. In addition to improving accessibility, Prince adds that people have misconceptions about the program because “different officials in different parts of the country give slightly different interpretations of the rules.” Improvements can therefore be made with staff training to increase consistency.

According to Loxton and Kleemann, there is room for improvement with how CPPD makes information available to disability agencies that provide services and information to clients. Kleemann recommends CPPD make a newsletter available for disability organizations with tips and information to keep these organizations educated about policies after expressing her difficulties navigating the web site and finding information online. She adds that individuals with multiple sclerosis would most likely be more frustrated when looking for information because of their symptoms.

During his interview, Loxton recounts the difficulties he experienced searching for information about incentive programs such as the volunteer and education incentives to include in his agency's literature. Loxton states it was very difficult to find information because it was not well publicized by CPPD; similarly, clients may not know what they are getting into if they are involved with these programs. Finally, Loxton expresses his desire to have more accessible information so that his organization would be able to better assist individuals who come to him for help:

We would love to be in a position to tell people more about what programs are available at CPPD. When we have made efforts to try and find out that information, we do [not] have somewhere where we can phone up and ask how the program works. In theory, it [is] there and they talk about it on their web site, but the specifics seem to be lacking.

The lack of accessible information poses problems for many of the stakeholders involved with CPPD as well as the clients themselves. According to the feedback and opinions of some interview participants, improvements can be made with respect to engaging with these stakeholders and providing information in more simplistic language. As Prince simplifies the issue, "it is not about carrots and sticks; it is about providing people with information."

6.4. Interactions with Other Disability Assistance Programs

If a client has more than one source of disability income support, they may be subject to more than one set of rules regarding employment earnings. Consequently, even if a CPPD client is able and willing to work, they may be discouraged from working because they may lose some or all of their income supports or benefits from the other program, resulting in a significant disincentive to work.

This is particularly the case with provincial disability programs where recipients of provincial social assistance are required by the program to also apply for CPPD. Provincial benefits are clawed back dollar for dollar with CPPD benefits. This clawback, combined with employment earnings clawbacks or exemptions, means that some clients may become ineligible for provincial disability assistance with very little work. Since

provincial disability programs provide supplementary supports, such as health and drug benefits, there is an even greater incentive to remain on a provincial program and not risk losing these supports.

Stapleton, who has written on work disincentives in Ontario's Disability and Support Program (ODSP), notes the interaction issues with CPPD (Stapleton, Procyk, and Kochen, 2011). He uses a hypothetical example to explain how the rational decision for some dual clients of ODSP and CPPD may be to not work so as to avoid losing their benefits:

After you [have] applied for these programs, [and] you [have] only got a couple of hundred dollars in ODSP, with a 50% claw back, it would [not] take you much to disqualify yourself from [ODSP]. And if you disqualify yourself from the program, then you lose the benefits that CPPD doesn't pay, like drug benefits, mandatory medical necessities, and dental [benefits]. People are very reluctant to work if it means they are going to very quickly lose their benefits.

If a client becomes ineligible for ODSP assistance, it may take time to become re-eligible for the additional supports the beneficiary was entitled to when they were receiving assistance, despite the existence of rapid reinstatement provisions. As Stapleton describes, a client would lose their drug card for the month that their employment earnings cancel out their benefits; if the client's earnings fall under again for the following month, they can apply for rapid reinstatement. However, they would not have access to their drug card for another four months. As a result, working beyond the point at which earnings eliminate benefits creates a very high marginal effective tax rate for some individuals, and thus becomes a major disincentive to exceed that point.

Some CPPD clients may also receive disability income support from a private or employer long-term disability insurance provider. Kleemann believes this is particularly problematic for CPPD clients who would like to work because many of these providers do not allow even a small amount of work: "I know of people who do not even dare to work the small amount of work they can work out of CPPD rules because they are afraid of jeopardizing their [long-term disability insurance] benefits."

As an added element to issues surrounding interactions with other programs, some individuals may find it very confusing or may have difficulty finding information

about how the various disability income support programs interact. Prince states that because all of these programs have their own history, rules and definitions of disability, it can become confusing because an individual may qualify for one benefit but not another. In effect, transaction costs arise for people trying to find information and figure out what he terms as this “mangle” of programs. Prince also adds that this is not particularly the fault of CPPD—and consequently it may be constrained with how it attempts to resolve this challenge—but it is simply one of the programs caught in this “mangle.”

6.5. Active Supports

Although Prince agrees that interactions with other programs pose problems and that improvements can be made with respect to communication to raise program literacy, he has reservations about the application of the notion of work disincentives to disability support recipients. He contends that CPPD benefits are based on an assumption that individuals who qualify are more or less permanently out of the workforce; the expectation of the program therefore that people are employable is not a strong one. He adds that CPPD has “one of the tightest eligibility requirements in the world,” and that CPPD has never been a program with loose eligibility criteria. As such, Prince believes CPPD cannot be compared to social assistance programs, and that “the language of classic economics of incentives and disincentives does not work very well with this program.”

Instead, Prince emphasizes that more of the issues with respect to work disincentives occur outside of the program. He points to challenges associated with workplace accommodations at the organization where an individual wants to work, and uses the terms “incentives” and “disincentives” to describe what may encourage or prevent a client from taking the chance to return to work. Another issue Prince highlights is attitudinal barriers, which includes an unpleasant or discriminatory work culture as well as the attitudes of co-workers, employers or senior management. As a result, Prince suggests that more work can be done in the area of return-to-work supports.

Manon Nadeau of the CCRW confirms many of the arguments Prince makes. Her organization is responsible for helping CPPD clients (as well as non-clients) find the

right supports as they attempt to return to the workforce. Nadeau states that individuals who come to her organization have a desire to work, but because of their limitations, they may be limited in their abilities. Based on her experience, she believes these individuals are primarily concerned about not being able to do the work, but acknowledges that clients are aware they are “not going to lose their CPPD [benefits] if they make the effort and they are not able to work.”

It is important, however, to recognize that the clients Nadeau refers to and the supports Prince stresses are applicable to CPPD clients who not only have the capacity, but are also willing to work. The improvements needed to employment supports and accommodations are only part of the equation. Clients must first overcome the initial obstacles and hurdles associated with fearing that they may lose their benefits and not having adequate information about incentives that encourage them to work. It is only then can they then explore the availability of employment supports and accommodations. Prince concedes that these initial hurdles and obstacles are “worth looking into.” Although he doubts very many people are affected by this, he states addressing these issues “might mean we go from getting 1 per cent of the caseload back to work to 1.2 per cent back to work. Now, that [is] not an insignificant number,” he adds, “that could be another 1,000 people back into the workforce.”

6.6. Summary of Findings

The PALS data suggest the possibility of a number of clients whose decisions about whether to work or whether to reveal a capacity to work are influenced by a perceived fear of losing benefits. These insights from the data were corroborated by the comments made by many of the interview participants, particularly those from disability agencies that felt clients are unwilling to show a capacity because of the uncertainty and risks associated with potentially losing their benefits. Moreover, awareness of program rules and incentives as well as interactions between various disability assistance providers were common themes in the discussion of disincentives to work. In moving forward, policy options are presented in the following chapter in an attempt to propose solutions to resolve these work disincentive issues.

7 Policy Options

As a result of the issues raised in the previous chapter, the following set of proposed policy options have been formulated to address: 1) the lack of effective communication of the incentives available to encourage clients to work, and 2) the existence of financial disincentives that discourage work, including the perceived fear amongst clients that they will lose some or all of their benefits. This chapter outlines four policy options that address these issues, and they are summarized in Table 11. Each of these proposed policy options, in turn, is evaluated in the following chapter against a set of criteria.

Table 11: Summary of policy options

Policy Option	Description
Revamp Communications	In order to improve the transmission and comprehension of information, three strategies for revamping communications include: 1) improving accessibility, 2) targeting stakeholders, and 3) changing the name of the Allowable Earnings policy.
Reform Automatic Reinstatement	In contrast to the current rules requiring former clients to submit evidence of the recurrence of their disability, a reformed Automatic Reinstatement policy would allow all former clients to return onto the benefit (within the two-year window), but they would not be required to submit paperwork about the recurrence of their disability for up to one year after coming back onto the benefit. There would be no financial penalties for not providing this information within the one year grace period.

<p>Earnings Exemptions</p>	<p>This option proposes implementing a gradual reduction in benefits as employment earnings increase. Benefits would be reduced by \$0.50 for every \$1 of earnings between AE and SGO, and would be reduced dollar for dollar beyond that amount. Under these rules, benefits would be completely phased out once employment earnings reach approximately \$18,000/year.</p>
<p>Partial Benefits</p>	<p>Following models in many European OECD countries, a partial benefits structure entails revising the current benefit structure to allow individuals with partial work capacity to receive CPPD benefits; currently only applicants who meet the conditions of having a severe and prolonged disability are eligible to receive the full benefit. Under the proposal, applicants would be eligible for 25, 50, 75 per cent or a full benefit in accordance with their assessed remaining work capacity.</p>

7.1. Status Quo Plus: Revamp Communications

Effective communication is important for any organization or program, particularly larger ones where there is a need to exchange ideas and information with a considerable number of people. Based on the insights collected through the interviews, knowledge of return-to-work incentives and policies is low, and many beneficiaries therefore are not aware of the incentives available to them to encourage them to work. On one level, beneficiaries may not be sure of their ability to work; if they never hear about or consider the incentives available to them, they may never consider trying out their ability to work. On another level, a client capable of working may not be aware of the incentives available, and thus may be potentially dissuaded from trying out their ability to work. These types of instances are highly plausible, and highlight the importance of effective communication to achieve the goal of increasing the number of beneficiaries who work while still receiving benefits, and consequently the number who return to work.

Three strategies are proposed to improve the transmission and comprehension of information: 1) improve accessibility, 2) target stakeholders, and 3) change the name of the Allowable Earnings policy.

The primary method CPPD currently uses to provide information and updates to clients is a yearly newsletter, *Staying in Touch*. Based on the opinions collected from focus group research conducted to gather input on the newsletter (Ipsos-Reid, 2007), adjustments can be made to the way program information and contact information is presented. A common issue raised among focus group participants with respect to content was the lack of precise details on whom to contact regarding specific programs and benefits highlighted in the newsletter. Moreover, with an increasingly web savvy client base, it is possible to make improvements to the HRSDC and Service Canada websites to provide more options for contacting the program. For instance, online contact forms that are anonymous can be made available for clients who wish to ask questions. This is particularly valuable for those who fear losing some or all of their benefits if they express an interest for working.

Another element of improving accessibility, which was also conveyed through the focus groups (*ibid.*), is to simplify the language—ideas and policies need to be transmitted in a clear and concise manner. Many of the program’s policies are complex and difficult to interpret. Further complicating matters is that due to CPPD’s commitment to maintaining flexibility in treating every client case differently, the information presented may be confusing. As Prince suggests in his interview, a product of this flexibility may be that information is not presented in a consistent manner across time and locale. Effective communication requires a considerable amount of clarification and simplification in the organization and dissemination of information.

According to Pam Lahey of the Ontario CMHA, the ODSP is currently in the process of revamping all of their brochures to make their program more accessible. The brochures and other literature will be revamped using common language so that program rules, services and responsibilities are clearly explained and easier to understand. This initiative is a result of one of the preliminary recommendations made by the Commission for the Review of Social Assistance in Ontario that has been tasked with the responsibility of creating an action plan to improve the system. An examination of the revised ODSP literature may be worthwhile to identify best practices.

The second strategy for this option requires targeting stakeholders who interact with CPPD clients. The aforementioned suggested improvements to accessibility

through simpler language and clearer information about methods of contacting the program are not limited to CPPD clients, but can be extended to stakeholders who engage with those clients. As noted by some of the interview participants from disability agencies, there were difficulties in finding information and details about various policies and incentives. Contact information can therefore be made more readily available to open up the lines of communication with disability agencies that work with CPPD clients. It is equally important for physicians, whose opinions are valued by clients, to have accurate information to minimize misconceptions about working rules.¹⁵

A relatively more concrete method of providing pertinent details about the program is to make an annual newsletter available to disability agencies similar to the *Staying in Touch* newsletter sent to CPPD clients. The newsletter for disability agencies can include, but is not limited to, detailed information about return-to-work incentives and the policies currently in place for clients who would like to attempt their ability to work. Moreover, as per the recommendations from the client newsletter focus group, contact information should be made clearly available in the event that a representative from the disability agency wishes to follow up on the information presented in the newsletter.

The final strategy for improving communications and resolving some of the issues with the misinterpretation of employment rules concerns the name of the Allowable Earnings policy. In many cases, someone who is first exposed to the words “allowable” and “earnings” together would make the assumption that allowable earnings is the amount of earnings an individual is “allowed” to “earn”. In other federal programs, such as Employment Insurance (EI), the term allowable earnings describes how much an EI recipient is allowed to accumulate in employment earnings before they are no longer eligible for EI benefits. It should not come as a surprise, then, that a CPPD beneficiary who does not take the time to understand the AE policy may assume allowable earnings is the level of earnings at which point CPPD benefits are cut off.

¹⁵ CPPD has taken steps to increase physicians’ knowledge of the program. It released a Physician’s Guide to CPPD Benefits, and maintains contact with the medical community to update the guide (HRSDC, 2011a).

These erroneous assumptions, unfortunately, are not limited to CPPD clients. As was evident through the interviews, some of the individuals who work with these clients or study disability policy also have misconceptions about the meaning of the AE policy.

To further compound this problem, CPPD maintains flexible rules for deciding when to cease a client's benefits (SGO). In order to render a beneficiary as capable of working at a substantially gainful level, and thus ineligible for benefits, the beneficiary must meet three criteria: performance, productivity, and profitability. While the profitability criterion is based on an objective number, productivity and performance are based on subjective interpretations of the rules. As a result, information about the point at which benefits cease is not clear or readily accessible for those who seek such information. Although maintaining flexibility for determining when to cease a client's benefits has its advantages, it is problematic because AE has a clear and objective number while SGO is not clear or objective. This contrast between the two policies, combined with misperceptions about what allowable earnings means, increases the likelihood that AE is considered as the benefit cut-off point.

Although it is evident the name is problematic, choosing a name to replace AE is difficult, partly because no other publicly insured disability program offers a comparable policy. One suggestion is that the name can be changed to reflect the purpose or rationale of the policy, such as "transition to work" or "pathway to work." Alternatively, the policy can be referred to without a name, but the program can still retain the same reporting rules for employment earnings. Regardless of whether a name or which name is chosen, it is advisable to preclude using the word "allowable" or anything similar that implies what is allowed.

7.2. Shifting the Focus from the Bank Balance to a Health Balance: Reforming Automatic Reinstatement

The Automatic Reinstatement (AR) policy functions as a financial safety net for clients who try to return to work (and leave the benefit). A client who leaves the benefit and is unable to continue working because of a recurrence of their disability can apply to

have their benefits restarted. This is an important policy because it works with the other return-to-work incentives to provide an extra incentive to clients who possess the capacity and attempt to return to work and leave the benefit. With the number of clients who return to work below 1 per cent, CPPD hopes the availability of AR—which is still a relatively new policy because it was introduced in 2005—will increase that rate (HRSDC, 2008c).

When it has been determined that a client is able to work at a substantially gainful level, and he or she successfully returns to work, CPPD provides them with an Automatic Renewal Departure Kit. This kit contains an information sheet outlining the options available to the individual should they need to return to the benefit because of a recurrence of their disability (*ibid.*). A former client must apply within two years of leaving the benefit and within one year of stopping work because of their disability. When applying for AR, a client does not need to meet the contributory eligibility criteria, but two forms need to be completed: one by the client confirming that they cannot work because of their disability and asking to have their benefits reinstated, and another by a doctor confirming the client's disability has recurred.

The AR policy can be enhanced to allow former clients to reapply for benefits without the requirement to prove the recurrence of their disability. Under such a reform, individuals would still have a two-year window from the time their benefits cease to come back onto the benefit, but would be given up to one year after coming back onto the benefit to submit the relevant forms from themselves and their doctor about the recurrence of their disability. Similar to the current policy, clients would be allowed to utilize this provision as many times as they require.

This proposed AR reform follows similar principles in some provincial disability programs where clients are still eligible to receive supplementary supports after they leave provincial social assistance. In British Columbia, for instance, clients receiving social assistance under the Persons with Disabilities program continue to receive supplementary supports such as medical and drug benefits after leaving the program because of the amount of their employment earnings (BC Ministry of Social Development, 2008). Utilizing a similar approach, individuals who leave CPPD would still be viewed as clients because they are able to automatically continue receiving benefits

within two years of leaving CPPD, regardless of the reason. The extra one-year window to submit paperwork to prove the recurrence of a disability serves to mitigate the risks associated with returning to work if an individual has an unsuccessful outcome after leaving the program. The window provides the client with more time to search for employment if they do not meet the disability eligibility criteria.¹⁶

This reform represents a greater shift for CPPD away from a program that starts and stops. Instead, it shifts the program more towards one where once an individual becomes eligible, they can leave and return quickly as many times as they require. The implementation of the Fast Track Reapplication and AR initiatives began that shift, but this proposed reform to make it easier to come back onto the benefit continues the shift. As well, due to the changing nature of disability and the increasing prevalence of episodic disabilities (HRSDC, 2011a), it is important for CPPD to remain relevant and for its policies to reflect changing health trends. The proposed AR reform addresses these changing trends.

7.3. Building a Bridge: Earnings Exemptions

A common characteristic among disability pension systems in OECD countries is the prevalence of an earnings exemption for individuals who wish to work while receiving benefits. An earnings exemption is the level of earnings or the number of hours worked beyond which benefits are ceased or begin to be reduced at a specified rate. In the United States, which has a comparable publicly insured disability program in terms of eligibility criteria, a SSDI recipient can earn up to the Substantially Gainful Activity (SGA) level of \$12,000 per year. A SSDI recipient is allowed to accumulate more than the SGA

¹⁶ As an alternative, arrangements can be made with EI so individuals wanting to return to CPPD within the two-year window can receive EI with a top-up from CPPD (so that benefits are the same as what the individual was receiving before their benefits were stopped) for up to one year until the individual has submitted paperwork confirming the recurrence of their disability. However, this may not be a feasible option for many because they may not meet the eligibility criteria for EI due to a limited period in the workforce.

monthly amount in employment earnings for nine months under a Trial Work Period and still receive disability benefits. Following the end of the Trial Work Period and a three-month grace period, if the beneficiary continues to earn above the monthly SGA amount, they lose their benefit status (Mamun et al., 2007). These rules are roughly comparable to CPPD rules in which benefits cease when it is determined that a client is capable of working at a substantially gainful level.

There are more variations with respect to earnings exemptions in the remaining OECD countries. Under the United Kingdom's Employment and Support Allowance (ESA), most beneficiaries are allowed to work for less than 16 hours a week and collect earnings up to £95.00 a week for one year. If a beneficiary is capable of working beyond this level, a decision is made to cease benefits or transfer them to regular unemployment supports (ESA, 2012a). Similarly in Australia, a recipient of a Disability Support Pension (DSP) is currently allowed to work for up to 14 hours per week without losing their benefit status, but that number will increase to 30 effective July 1, 2012 (Australian Department of Human Services, 2011).¹⁷ In contrast, Spain has a full earnings exemption, whereby a beneficiary is able to accumulate an unlimited amount of earnings without having any effect on their benefits (OECD, 2010a).

The variations in earnings exemptions of provincial disability programs in Canada are reflective of variations outside of Canada. In Alberta for instance, a benefit recipient qualifies for a flat earnings exemption up to \$400 per month; benefits are reduced by \$0.50 for every \$1 of further earnings up to \$1100 per month, after which point benefits are reduced dollar for dollar. In Manitoba, beneficiaries qualify for a flat monthly \$100 earnings exemption, and benefits are reduced by \$0.70 for every \$1 above the flat exemption. As indicated earlier, the ODSP has unique earnings exemptions rules in that

¹⁷ All income earned is subject to an income test, whereby income above a threshold is reduced by AUD 0.40 for every AUD 1 earned. As a result, a beneficiary has the opportunity to pursue a job with higher pay to avoid exceeding the allowable working hours. Furthermore, although benefits are suspended beyond the allowable working hours level, beneficiaries are allowed to retain their DSP Pensioner Concession Card for up to 12 months, which provides medical benefits as well as a variety of other benefits and discounts.

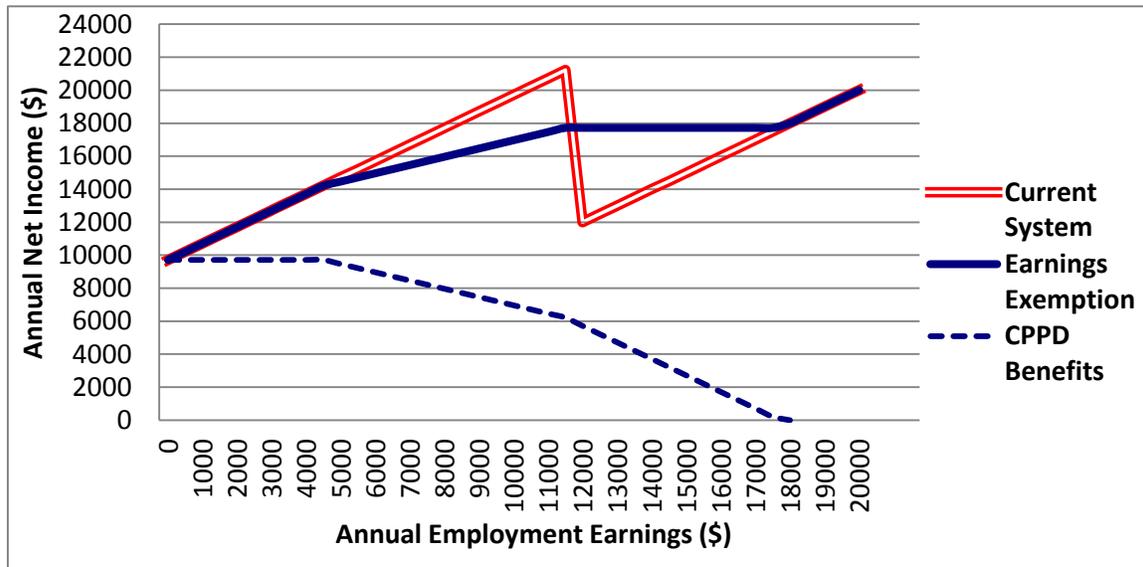
benefits are reduced by \$0.50 for every \$1 of all employment income. British Columbia is one of the few provinces that have only a flat earnings exemption; since 2006, beneficiaries have been allowed to earn up to \$500 per month, above which benefits are reduced dollar for dollar (Cohen et. al, 2007).

The earnings exemption for CPPD clients can be regarded as the SGO amount.¹⁸ Figure 2 illustrates the “earnings cliff” from a hypothetical scenario for a beneficiary, assuming their benefits are ceased once they reach the earnings exemption SGO amount (approximately \$12,000 annually). Following the red double line, at no employment earnings, a client receives the full CPPD benefit.¹⁹ They continue to receive the full CPPD benefit in addition to any employment earnings as long as they earn below the SGO amount. Once employment earnings exceed the SGO amount, however, benefits stop and the net income for the individual falls to the same level as employment earnings. As a result of this significant drop in net income, there is very little incentive to earn beyond the SGO amount, as the METR for employment earnings greater than this amount is well above 100 per cent.

¹⁸ As noted earlier and explained in Appendix B, the SGO amount (profitability) is one component of SGO. When determining whether to cease a client’s benefits, performance and productivity are also considered.

¹⁹ For calculation purposes, the average annual CPPD benefit of \$9,714 (2010) was used (HRSDC, 2011a).

Figure 2: Comparison of annual net income under current system and proposed earnings exemption reforms



As illustrated by the examples of earnings exemption rules in other jurisdictions, a variety of methods can be considered for revising CPPD earnings rules to mitigate the disincentives to working and/or working beyond the point of leaving the benefit. Under the scheme proposed for this option, beneficiaries would be able to retain all of their benefits for employment earnings below the AE level to encourage work below this level. For earnings above the AE level and up to the SGO amount, benefits would be reduced by \$0.50 for every \$1 of earnings. Earnings above SGO would be reduced dollar for dollar. There are alternative methods of reforming earnings exemptions that can be more generous or aggressive than the proposed method. This graduated structure, however, was chosen because it provides a good balance between retaining incentives to work at lower employment earnings levels and mitigating disincentives to move off the benefit at higher earnings levels.

Figure 2 illustrates the proposed reform to earnings exemption rules (solid blue line) and compares it to the status quo (red double line). As is evident, the graduated earnings exemption cushions the fall off the “earnings cliff” in the current system by “building a bridge” to regular employment earnings. This reduces the disincentive to continue working beyond the SGO amount, as well as significantly lowering the METR

for earnings at this level. Once employment earnings reach approximately \$18,000 per year, there are no remaining CPPD benefits (dotted blue line).

This policy option entails a shift in the way CPPD conducts its operations. Instead of using SGO as the benchmark to determine when to cease a client's benefits, benefits would be phased out as employment earnings increase. Clients would be able to resume collecting benefits if their employment earnings fall below the exemption maximum or break-even point (\$18,000). Accordingly, as opposed to an emphasis of moving beneficiaries off the benefit, beneficiaries would be kept on the benefit but would be compensated less—roughly according to their level of earnings.

7.4. Being More Flexible to be More Clear: Partial Benefits

The current rules for ceasing benefits consist of the three criteria for SGO. This affords CPPD flexibility in deciding when to cease a client's benefits as opposed to being restricted to a defined value for employment earnings. Unfortunately, this flexibility—and the resulting lack of clarity and communication about SGO combined with perceptions about AE—has led to confusion among clients about what CPPD uses to determine when to cease benefits. It is not always necessary, however, to make tradeoffs between flexibility and clarity. Reforms can be made, for instance, to the benefit structure to offer more flexibility to who is eligible to receive benefits, while also improving clarity about rules for employment.

An increasing number of countries have adopted a partial benefit structure. This is different from the graduated earnings exemption scheme presented in the previous section. The latter concerns reducing benefits according to employment earnings *after* an individual begins receiving benefits, whereas a partial benefit structure pertains to deciding how much to reduce an individual's benefits from some full standard rate *before* he or she begins receiving benefits. Under a partial benefit structure, a partial benefit is awarded to individuals with partial work capacity at the time benefits are granted, while a full benefit is still available for individuals who are deemed fully unable to work according to the program's rules.

Partial benefit structures are common in European disability pension programs. In Sweden for example, a full benefit is provided if an individual is unable to work for at least two hours a day, but partial benefits at 25, 50 and 75 per cent of a full benefit are awarded depending on the number of daily hours an individual is assessed to be capable of working. In Finland, a full benefit is granted to individuals with work capacity reduced by at least 60%, but only a half-benefit if it is reduced by 40-59%. Norway is an extreme example in that partial benefits are granted in five per cent intervals for work capacity reductions between 50-94%, and a full benefit is granted for a work capacity reduction beyond 95% (OECD, 2010a). In most cases, partial benefits are determined according to either the number of hours an individual is still able to work or in relation to the percentage of remaining work capacity.

While it is common for European countries to have partial benefit structures, the opposite is the case for non-European OECD countries. The US, Australia, Canada, and Japan all provide only full benefits (OECD, 2010a). The United Kingdom (UK), however, has a quasi-full benefit. A full flat-rate benefit is provided to granted applicants, but additional benefits depend on which level of the assessment process a beneficiary falls into. Once an individual qualifies for (basic) ESA benefits, they are assessed to determine whether they fall into the support group (if they are not capable of working) or the work-related activity group (if they possess a capacity to work). Clients in the former group receive a higher level of benefits than those in the latter group (ESA, 2012b).

All individuals granted CPPD benefits are currently eligible only for a full benefit, consisting of a flat-rate benefit combined with an earnings-related portion equal to 75 per cent of that individual's calculated retirement benefit (HRSDC, 2011a). A partial benefit at 25 per cent intervals would allow CPPD to grant partial benefits based on an individual's remaining work or earnings capacity. Under the proposed policy, partial benefits would be granted at 25, 50 and 75 per cent capacities. An individual, for instance, who is assessed to have a 75 per cent earnings capacity would be eligible for 25 per cent of a full benefit; similarly, a beneficiary with a 25 per cent earnings capacity would be granted 75 per cent of a full benefit. With partial benefits, clients would be clear that the program acknowledges they have a capacity for some work.

8 Policy Criteria and Analysis

8.1. Criteria and Measures

The following table outlines the four criteria used to analyze each of the policy options: effectiveness, cost, implementation complexity, and equity.

Table 12: Criteria and measures for policy options

Criteria	Definition	Measure
Effectiveness	The degree to which a policy achieves the stated objectives of communicating and improving the awareness of existing return-to-work incentives and how well it reduces disincentives to working.	Qualitative scale: Low/ Medium/ High
Cost	Projected additional expenditures to operate and maintain a policy option. Low is defined as either savings or as costs less than \$50,000 annually, medium represents costs between \$50,000 and \$250,000 per year, and high signifies additional expenditures greater than \$250,000 annually.	
Implementation Complexity	Administrative changes (staffing or training) or legal requirements that a policy option necessitates.	
Equity	The degree to which all beneficiaries benefit or are adversely affected by a policy option. A low score for equity signifies that only a few or no beneficiaries benefit and some are adversely affected, a medium score demonstrates that only some beneficiaries benefit and possibly a few are adversely affected, while a high score indicates many or all beneficiaries will benefit and very few are adversely affected.	

8.1.1. Effectiveness

One of the criteria to consider is how effective the policy is in achieving the objectives laid out at the beginning of this paper. Specifically, effectiveness measures how well the policy communicates and improves the awareness of incentives in place to encourage clients to work. It also measures how effective the policy is at reducing the disincentives to work, including the perceived fear of losing some or all benefits. However, because not all policy options address both of the objectives, the effectiveness criterion is scored based on which of the objectives the option addresses.

Since it is difficult to accurately gauge the effectiveness of the proposed policy options, the estimated effectiveness will be considered when evaluating the policy options. In order to differentiate between the levels of effectiveness for the policy options, they will be measured on a low/medium/high scale with low representing ineffective or not very effective, medium signifying somewhat effective, and high indicating very effective.

8.1.2. Cost

Due to the economic downturn and the current state of uncertainty with respect to world financial markets, there is a greater emphasis on reducing costs and operating more efficiently. Since the current government is committed to reducing costs, policy changes that incur additional costs will be more difficult to implement. As such, policy changes that are revenue neutral or impose few additional costs are more likely to acquire political acceptance. Cost is therefore an important consideration for any of the proposed policy options.

Cost considers all additional projected budgetary expenditures involved with a proposed policy for CPPD. This includes items such as changes to total payments to beneficiaries, changes to administrative expenses, or other relevant expenditures. In order to measure cost, a low/medium/high scale is used to signify different levels of cost. Since cost is defined as additional annual expenditures over and above current costs, a low measure for cost indicates a range from cost savings to low additional expenditures. More precisely, low represents savings or additional annual costs below \$50,000;

medium indicates additional costs between \$50,000 and \$250,000; high signifies additional annual expenditures greater than \$250,000.

8.1.3. *Implementation Complexity*

While some policy options require very little administrative change, other policy changes may be difficult to implement because of legal requirements or may entail a significant amount of increased staffing or training as a result of their complexity. In particular, because CPP is a shared jurisdictional program between the federal government and the provinces, and CPPD falls under CPP legislation, any significant changes to CPPD require the consent of two-thirds of the provinces comprising two-thirds of the Canadian population. Such a requirement entails broad political consensus and acceptance. Implementation complexity is therefore considered to distinguish between low, medium and high levels of administrative and legal complexities that must be acknowledged and overcome in order to implement a policy.

8.1.4. *Equity*

A proposed policy will have different effects on different individuals, and a number of methods exist for considering equity. Equity can be considered on the basis of the distribution of benefits and adverse effects within similar groups, between different groups (e.g. age, income, education, health), and between generations. On a more specific level, equity can be differentiated between an individual's position relative to or apart from the status quo.

Equity in this paper considers the degree to which all beneficiaries benefit or are adversely affected by a policy once it is implemented, regardless of their position relative to the status quo. This type of equity is particularly appropriate for the set of options presented in this paper because it is not expected that any of the options will result in any beneficiaries being in a worse position relative to the status quo. Some options, however, will result in a group of beneficiaries being better off than the remainder of beneficiaries. Consequently, a low score for equity signifies that only a few or no beneficiaries benefit and some potentially are adversely affected, a medium score demonstrates that only some beneficiaries benefit and possibly a few are adversely

affected, while a high score indicates many or all beneficiaries will benefit and very few are adversely affected.

8.2. Analysis of Policy Options

The aforementioned criteria were used to assess each of the proposed policy options. The evaluation is summarized in the matrix in Table 13. In order to help visualize which policy options are projected to score better than others across the four criteria, a heat map was created. Blue signifies a poor score, orange represents a mediocre score, and red is associated with a good score. The graphical summary is followed by explanations for the scores assigned to the criteria for each policy option.

Table 13: Evaluation matrix heat map

CRITERIA	Effectiveness	Cost	Implementation Complexity	Equity
POLICY OPTIONS				
Revamp Communications	Medium	Low	Low	High
Reform Automatic Reinstatement	Medium	Low	Low	Medium
Earnings Exemptions	High	Low	Medium	Low
Partial Benefits	High	High	High	Medium

8.2.1. Revamp Communications

With low levels of knowledge and awareness of return-to-work incentives, demonstrated by insights collected from interview participants, effective communication is imperative for encouraging the take-up of these incentives. Interviewees from the BCCPD, the Ontario CMHA, and the MS Society of BC and Yukon all expressed their

difficulties in acquiring information about CPPD policies. With more transparent options for communicating with CPPD and an annual newsletter for disability agencies, these organizations would be better prepared and informed to speak to CPPD clients and give them sound advice. This is particularly important because, as Michael Prince argues, clients may place more weight on the information and opinions of individuals outside of the program.

This policy option is effective at expanding the lines of communication between CPPD and its clients as well as the agencies and organizations outside of CPPD that work with clients. However, with beneficiaries' persistent fear of losing benefits being one of the major obstacles to employment, revamping communications and changing the name of the AE policy may have a limited effect in addressing those fears. Clients are still aware that CPPD can conduct reassessments to determine a client's eligibility, and that threat may be a large factor in a client's decision to not work. As a result, this policy option scores medium for effectiveness because it improves the awareness and communication of incentives, but the perceived fear of benefit loss still remains.

Costs for a revamped communications plan are low compared to the other options. The additional expenses are limited to revising web pages and literature, and planning and creating an annual newsletter for disability agencies. This may result in requirements for extra staff and resources.

Revamping communications is relatively simple with respect to administrative changes or legal obstacles. Although it is recommended all references to AE be changed, the references that have little or no exposure can be ignored. Since no new policies are introduced and no legislative changes need to be made, implementation complexity for this policy option is low.

Equity is high since each beneficiary would have equal access to the information and changes, and would thus potentially benefit equally.

8.2.2. *Reform Automatic Reinstatement*

The suggested reform to the AR policy strengthens its effectiveness as a financial safety net for those who attempt to return to work. Some of the interview

participants were able to shed light on the context in which people on CPPD and social assistance live, and to see issues from their point of view. According to the interviewees, clients face a lot of uncertainty, and the certainty of a monthly disability benefit cheque and the associated benefits has a great deal of value to them. Likewise, that certainty is so valuable that there is a reluctance to take the chance to return to work and risk jeopardizing that certainty if things do not work out or if their condition worsens.

In light of this reality, having a free pass for one year to come back onto CPPD within two years mitigates some of the disincentives and fears clients possess in taking a chance to return to work. In this sense, a client can be less concerned about their bank balance (whether they will continue to receive benefits) and can focus on their health balance (improve their condition and participate and engage in the community through employment). The reforming AR option therefore receives a medium score for effectiveness.

This option scores well for the remainder of the criteria. The costs associated with reforming AR may rise slightly because more individuals who leave the benefit may come back on, but this could potentially be offset by an increased number who attempt to return to work because of the lenience of the reformed policy. Additional costs for the program therefore would be low. Implementation complexity has a similar score, as the main challenges concern reforming the rules of the existing policy, and updating the literature and staff to bring them up to speed.

This policy option, however, is not as equitable as the revamping communications policy option because a small number of individuals will be excluded from the reformed provisions. When the reforms are implemented, they will apply to individuals leaving the benefit after a certain date, while those who left before that date will have the old AR rules applied. The original AR policy was introduced in 2005 using a commencement date at which the policy became effective, and it is advisable that the proposed reforms be implemented in this manner to ensure consistency. Thus, equity for this policy option receives a medium score.

8.2.3. Earnings Exemptions

Earnings exemptions with a gradual reduction in benefits would have a more significant effect in reducing clients' perceived fear of losing all of their benefits than the previous two options. The proposed earnings exemption scheme can serve as a signal to beneficiaries that they are able and allowed to work without losing all of their benefits. Arguably, it would be difficult to force a beneficiary to work if they are capable of doing so, but policies can be modified to change behaviour in a way that encourages work.

Although it may seem counterintuitive to reform the current earnings exemption rules to reduce the net income of clients with employment earnings between AE and SGO, implementing a gradual reduction of benefits implicitly communicates to beneficiaries that working does not lead to them losing their benefits. This signal is crucial in overcoming clients' fears, revealed through interview participants, that they will lose some or all of their benefits if they show a capacity to work. Hence, by mitigating disincentives to working past the SGO amount (and reducing the METR at that point), and by providing a signal to clients that alleviates fears that they will lose their benefits if they work, this policy option receives a high score for effectiveness.

A proper cost estimate for the proposed earnings exemption scheme requires access to CPPD employment earnings data in order to estimate the savings from projected increases in work take-up and the resulting lower benefit payouts to clients earning between the AE and SGO amounts. A cost estimate must also consider the additional costs associated with fewer clients leaving the benefit.

Although less than ideal, one possibility is to use the US DI employment earnings data as a proxy for CPPD since the two programs share many similarities. In analyzing 2007 data, Manum et al (2011) found that approximately 83 per cent of DI recipients had no employment earnings, 4.8 per cent had \$1- \$1,000, 5.6 per cent had \$1,000- \$5,000, 3.6 per cent had between \$5,000 and \$10,000, 2 per cent had \$10,000- \$20,000, and 0.9 per cent with more than \$20,000. Those earning between \$5,000 and \$10,000 (3.6 per cent) provide a rough estimate of the percentage of the CPPD caseload that would see a reduction in total benefit payouts; those earning more than \$10,000 (approximately 2.9 per cent) are an estimate of some of those who may have left the benefit, but would receive significantly reduced benefits under the new rules. Since these two groups of

earners would roughly balance out, the projected additional costs for CPPD would most likely be low.

In considering implementation complexity, implementation would be more difficult than the previous two policy options since the current system of benefit payouts in the program would need to be revamped. As per current reporting procedures, beneficiaries would be required to report their earnings on a monthly basis, and benefits would be adjusted accordingly each month. Once in place, however, administration is fairly straightforward as only clients with earnings above AE would have their benefits reduced, and this follows with current earnings reporting practices so no changes to earnings reporting would be required. Despite the administrative changes required with this policy option, the majority of the current suite of return-to-work incentives would remain intact; beneficiaries would require them in order to reach their full work capacity.

Although there would be a shift away from an emphasis on moving beneficiaries off the benefit, the Three-Month Work Trial would still be available for beneficiaries who feel they no longer require income support; utilizing it would be completely voluntary. Changes would need to be made, however, to the Automatic Reinstatement and Fast Track Reapplication policies to reflect the fluidity with which beneficiaries can exit and return to the benefit based on employment earnings. These challenges render the implementation and operation of this policy option slightly more complex than the other proposed options, thus resulting in a medium score for implementation complexity.

Finally, in terms of equity, all beneficiaries would be affected by a graduated earnings exemption scheme. However, as alluded to earlier, some beneficiaries who have earnings above the AE level and below the SGO amount would be adversely affected because they would witness a drop in their net income. This policy option is also considerably more inequitable than the other policy options because applicants face different eligibility criteria than beneficiaries. In order to become eligible, an applicant must prove that they cannot pursue substantially gainful occupation. Under the proposed reforms, however, a client is able to continue receiving benefits beyond the substantially gainful level. This inconsistency in the application of rules between applicants and clients translates into an inequitable relationship between the two groups. It is possible that the earnings exemptions can be made less generous in order to cut off benefits closer to the

SGO amount, but this would create a greater disincentive to work. Equity is therefore low for this policy option.

8.2.4. *Partial Benefits*

A revision of CPPD's benefit structure to include partial benefits would nearly eliminate the perception among clients of a fear of losing their benefits if they show a capacity to work. According to many of the interview participants, by restricting benefit eligibility to individuals suffering a severe and prolonged disability, these strict criteria presume a client is disabled and that their condition is unlikely to improve, thus precluding them from undertaking any work. Beneficiaries with a capacity to work are therefore inclined to avoid demonstrating their ability to work. They will refrain from taking up work that would significantly increase their income to avoid jeopardizing their benefit eligibility.

Both Michael Prince and John Stapleton agree that CPPD is based on an older insurance principle that insures individuals if they are not capable of working. CPPD was created at a time when PWDs were not seen as part of the labour force, but now that they (and the public) see themselves as part of the labour force, the program can make an effort to reflect prevailing norms and attitudes. As Prince comments, "[CPPD] should focus on people's abilities rather than their disabilities."

Beneficiaries receiving partial benefits would be aware that CPPD recognizes their partial capacity for work. As such, they would be able to work up to their capacity knowing they would not risk losing their partial benefits because they are working. A beneficiary who is granted only 50 per cent of a full benefit, for example, would be aware that the disability program recognizes that they have a remaining work capacity of 50 per cent. As a result, beneficiaries who are capable of working would be more inclined to work. This option would be effective at overcoming disincentives to employment by getting beneficiaries to begin working, and to encourage beneficiaries who are already working to work more.

A partial benefit structure, however, would increase costs significantly because more individuals would be eligible for benefits. Under such a structure, individuals with a partial reduction in work capacity would be accepted in addition to the current population

of beneficiaries with severe and prolonged disabilities. Consequently, the additional expenditures for this option relative to the current structure of benefits would be high.

This policy option requires considerable changes to the adjudication process, as the rules and procedures for benefit approval and denial would need to be modified. In addition to revising these rules, a schedule for reassessing clients' work capacities would need to be established at the time benefits are granted to allow for periodic reviews. Moreover, due to the nature and magnitude of the reform, consent is needed from a supermajority consisting of two-thirds of the provinces that include at least two-thirds of the Canadian population. Prince feels attaining this consensus is not impossible, but that the main obstacles are the political ideologies of the governing parties who would be resistant to changing the program. The senior researcher interviewed shares the same sentiments with respect to political acceptance: "Administratively [it is] not insurmountable, but the present economic climate means governments want to contain costs, so it is unlikely." Hence, this policy option has a high degree of implementation complexity.

In terms of equity, if considered from the point of view of all PWDs, a partial benefit structure is more equitable than the current system. It provides benefits to a wider range of individuals and grants benefits based on remaining work capacity. It may also increase the likelihood that individuals with episodic conditions, who currently find it difficult to be approved for CPPD benefits, would be able to secure benefits under such a structure. Issues may arise, however, in applying this benefit structure retroactively. Provisions can be made to apply different rules for different clients depending on the date an individual was first granted benefits, but this lacks consistency. Thus, this policy option is given a medium score for equity.

9 Recommendations and Reflections

This chapter uses the information and analyses throughout the paper to propose policy recommendations that address institutional disincentives to working. Based on the analysis, the research suggests the revamping communications and reforming Automatic Reinstatement options are the best in the short-term; in the longer term, the proposed earnings exemption reforms can be explored. The capstone concludes by highlighting the limitations and inherent challenges in this research undertaking.

Whether it is work or otherwise, CPPD clients face a number of barriers that obstruct their ability to meaningfully participate in society. Although these barriers are limited to clients who are capable and willing to work, the barriers include a lack of work supports and accommodations as well as challenging workplace cultures and attitudes. When analyzed through the prism of both barriers and disincentives, the disincentives must be overcome before the barriers can be addressed. As a result, prior to expressing any interest in work, clients face institutional disincentives that discourage them from working or taking the chance to work.

As indicated in the literature, and as suggested through the PALS and interview data analyses, these institutional disincentives take a multitude of forms. On the one hand, work does not pay. Earnings exemption and employment rules result in high METRs that make it improbable that clients would not make the rational choice of remaining on the benefit and continuing to receive income support. On the other hand, a lack of knowledge and awareness of return-to-work incentives as well as a prevalent fear of losing all or some of their benefits serve as disincentives that discourage employment.

9.1. Policy Recommendations

There are a number of factors to consider when evaluating each of the proposed policy options, and the weight applied to each of the criteria would have to consider the aims and objectives of the decision-maker. Given the current economic climate, a policy option that is effective at increasing the proportion of beneficiaries with earnings would involve a great deal of risk if it imposed high costs for CPPD. Furthermore, a significant overhaul of the program requires political consensus, thus creating another obstacle to implementation. By the same token, the partial benefits option has high costs and implementation complexity, which make this option the least attractive of all those considered here.

The revamping communications and reforming Automatic Reinstatement policy options, although less effective relative to the other two options, would still increase the awareness of return-to-work incentives and mitigate fears about losing benefits. With low costs, a lack of implementation complexity, and while maintaining equity, these options score very well on the other criteria. Since there is little risk in moving ahead with revamping communications and reforming Automatic Reinstatement, it is recommended CPPD begin investigating how it can implement these options in the near future.

Over the longer term, the proposal to reform the earnings exemption scheme is a viable option. This policy option would be more effective than the two recommended policy options as it signals to beneficiaries that they can work, and the additional costs for the program would be minimal. With the exception of equity, this option performs relatively well across all the criteria, making it a good candidate for recommendation if the equity issues can be addressed. Although it may be possible to resolve these issues, this policy option requires a considerable amount of research and deliberation about how best to structure the earnings exemptions. It is therefore advisable that this option be reserved for future consideration or implementation.

9.2. Limitations and Inherent Challenges

The information and analysis in this paper were primarily based on clients' self-reported perceptions about work capacity in the PALS data and interview participants' perceptions about disincentives clients may face. While a post-censal survey may be the most efficient method available to inform our understanding of client work capacity, interviews with scholars and individuals from disability agencies who work with CPPD clients is not the most ideal method of gaining insight into institutional disincentives to work that clients face.

It may prove valuable for CPPD to conduct qualitative surveys or focus groups of beneficiaries to garner their perceptions about work disincentives. Although such surveys and focus groups have been conducted by CPPD recently to identify knowledge of return-to-work incentives (HRSDC, 2008b), there is still room for work in determining the role of financial disincentives in influencing work activity. Due to prevalence among clients of the perceived fear of losing benefits, however, it is recommended that CPPD charge this task to an independent organization. This would allow beneficiaries to speak freely and express their concerns. The information from these qualitative types of research would allow CPPD to make informed decisions about the proposed policy options and recommendations, and to build on the analysis undertaken in this paper.

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Appendices

Appendix A.

Policy Context: Why Study Return to Work?

This appendix examines why a study of the low return-to-work numbers within the CPPD caseload deserves merit. While evolving societal norms alongside health and technological improvements increase the potential for clients to return to the workforce, the program, society, and clients themselves can all experience gains when they return to work.

Benefits of Working for Persons with Disabilities (PWDs)

While some beneficiaries may recover from their medical condition and thus return to work, others may adapt to their limitations and want to participate in a minimal level of work. Whatever the case may be, there are a number of factors that motivate the willingness to work.

One important factor is the financial advantages of working. For clients capable of working below the substantially gainful level, employment allows a beneficiary to earn income above his or her benefit entitlement. However, although coverage is indexed to inflation, this extra income is necessary to maintain a comfortable standard of living due to rising costs and unforeseen circumstances faced by some beneficiaries.

There are also social and psychological benefits for clients who choose to work if they are capable of doing so. Employment, whether it is paid or volunteer, establishes a link to the community and facilitates meaningful participation in society. Accordingly, if work had been an important component of an individual's life prior to disability onset, re-entering the workforce may enable that individual to feel a sense of self-worth and belonging. In a qualitative study of ten PWDs who had been out of work for an average of years, but recently found work, Mettavanio and Ahlgren (2004) found that the participants believed work created a sense of identity, and being out of work decreased their confidence and made them doubt their abilities. In addition to these benefits, work for PWDs has also been linked to improved health outcomes and quality of life gains. (Waddell, Burton and Aylward, 2007).

Trends in Health, Technology and Society

Health, technological, and labour force trends provide further motivation for assessing and improving upon current return-to-work supports and policies within CPPD. With technological advances, a small number of disabilities that were previously untreatable are now manageable, thus enabling some beneficiaries to return to work. Moreover, a greater number of beneficiaries are able to engage in a minimal level of work due to technological innovations in medicine and medical equipment that allow PWDs to better cope with their disabilities.

Additionally, evolving workplace norms and trends provide greater opportunities for PWDs to work. Most evident in recent times, employers are more willing to hire PWDs (Hindle, Gibson and David, 2010). Part of this shift in thinking is the acknowledgement that some PWDs are capable of working at the same level of productivity as a person without a disability. Furthermore, most developed countries have in place protection for PWDs against employment discrimination so they can remain active in the labour force. In Canada, legislation exists at both the federal and provincial level to ensure equity of access to employment as well as protection from discrimination (HRSDC, 2008a).

Projected Labour Shortages

The aim of encouraging beneficiaries who are capable of working to participate in employment also aligns with broader directions with the current government. As the baby boomer generation—typically defined as those born between 1945 and 1964—begins retiring, it is expected that there will be a large void of positions formerly held by these individuals that will need to be filled. As a result of this projected shortage, the current Conservative Government iterated its commitment to strengthening the labour market and labour participation in both its recent Speech from the Throne (Government of Canada, 2011) and the federal budget (Department of Finance, 2011). Human Resources and Skills Development Canada (HRSDC) is tasked with the job of addressing the forthcoming labour issues, and CPPD is working to increase labour participation amongst its beneficiaries through return-to-work initiatives and policies.

Program Accountability and Efficiency

A properly functioning disability program is one that provides benefits to those individuals who are disabled, as per the definition established by the program. In the same light, benefits should be ceased if a client no longer meets the eligibility criteria, or in the case of CPPD is able to work at a substantially gainful level. Thus, it is in the public interest that CPPD provide adequate and quality return-to-work supports for clients who are capable of working to allow those clients to work to their capacity. A failure to do so would result in an inefficiency that is not in society's best interests.

Inefficiencies are particularly problematic given the current economic climate. With the current government operating with a deficit that it has committed to reducing, government programs and services have come under review in order to identify inefficiencies and to make appropriate adjustments. As a result, it is important that CPPD operate in an efficient and cost-effective manner.

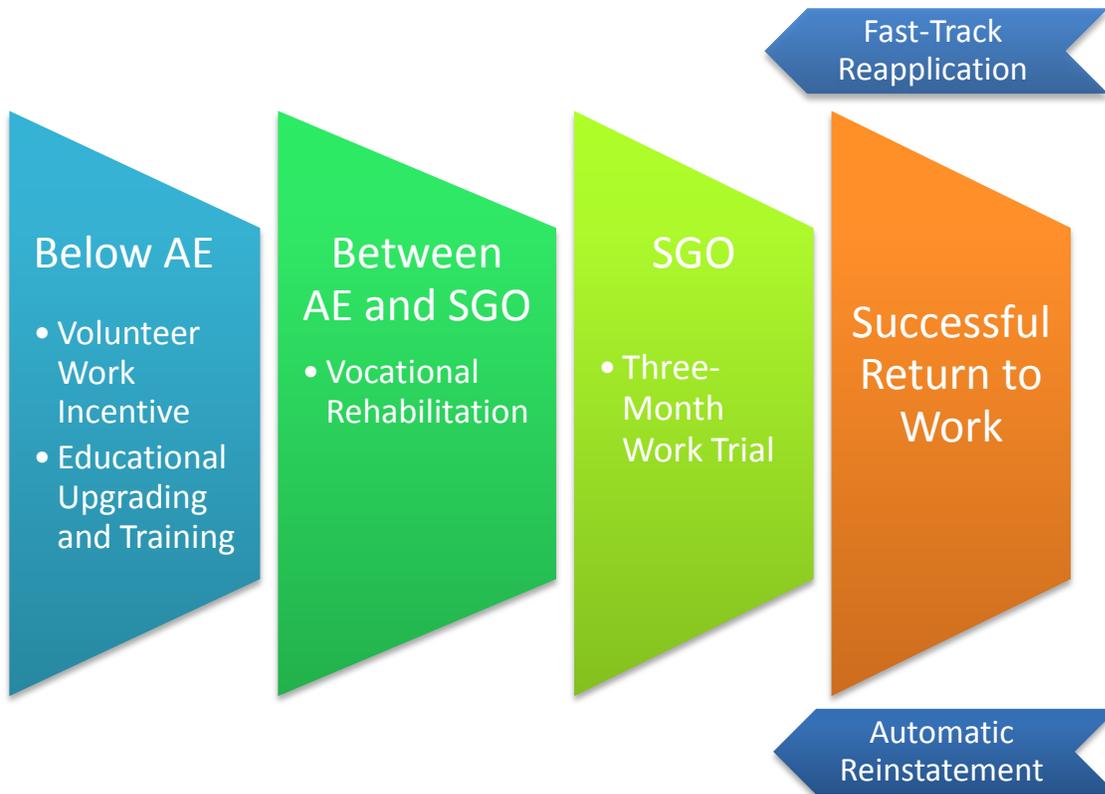
An efficient and cost-effective program, in turn, improves productivity. Greater labour force participation stimulates economic growth as society experiences gains in productivity. Furthermore, with a successful return to the workforce, a beneficiary is able to contribute to the CPP fund that provides benefits for individuals unable to work due to a disability, rather than claiming disability benefits themselves despite possessing the capacity to work.

Appendix B.

Mechanics of the Return-to-Work Incentives: An Illustrative Example

Although not all clients who leave the benefit because they are able to work at a substantially gainful level utilize all of the return-to-work incentives available, CPPD still provides the suite of incentives for those who wish to make use of them. These incentives are organized logically to coincide with the various stages of a client's transition to work. Figure 3 and the description that follows illustrate the mechanics of the return-to-work process and how the various incentives can be utilized. It is important, however, to note that some incentives can be utilized at different stages of a client's return to work than is suggested in the figure. For example, a client can take advantage of the volunteer and education incentives regardless of their earnings level.

Figure 3: Mechanics of return to work incentives



Below AE

Prior to engaging in any employment activity, or working below the AE amount, beneficiaries may have varying needs when beginning their transition to work. The nature of a disability, the

adaptation to that disability, level of education and training, work history, and a number of other factors can affect how well beneficiaries are able to re-establish themselves in the workplace.

The Volunteer Work Incentive encourages beneficiaries to participate in volunteer work without the fear of losing their benefits. Volunteer work allows beneficiaries to gain experience, but also to participate in activities that allow them to build their transferable skills. This is especially important for clients who have been away from work for an extended period of time. Volunteer work also enables beneficiaries to network with individuals and organizations, and to build a closer link to their communities, which may have corollary benefits for their health.

Beneficiaries who wish to increase or improve their knowledge or skills can do so under the Educational Upgrading and Training Incentive without the risk of losing their benefits. In addition to improving employability through knowledge and skills, an educational setting allows beneficiaries to interact and participate with members of their community.

Between AE and SGO

The AE policy allows beneficiaries to try working periodically or in small amounts without being reassessed for benefit eligibility. Some beneficiaries will never progress beyond this level due to the limitations of their disability, but others may continue and attempt to increase their work activity. For the latter, once the AE amount has been reached and the client has notified CPPD of his or her earnings, he or she may be offered additional work supports and assistance in pursuing further work.

In order to be eligible for VR, clients must demonstrate a motivation to return to work and their physicians must agree that they can cope with a work-related rehabilitation program (Service Canada, 2011). Towards the end of a client's enrollment in the VR program, resources are allocated for a job search period that typically lasts three months, but can be extended for an additional three months. If the rehabilitation effort is unsuccessful, the client would in most cases remain on the benefit.

The goal of these supports is to identify and address barriers encountered by beneficiaries that will allow them to reach the next level of the return-to-work process.

SGO and the Three-Month Work Trial Incentive

In order for a beneficiary to qualify for a Three-Month Work Trial, it must be proven that he or she is capable of working at the substantially gainful level (SGO). The substantially gainful level consists of three components: profitability, productivity, and performance. Profitability is the level of earnings equal to the maximum CPP retirement pension in a given year. This is calculated by the average of 25% of the YMPE for the previous five years. In 2011, the substantially gainful amount for profitability was \$11,520. Performance is the actual effort that an individual undertakes in order to carry out the tasks and duties required for a specific job. Finally, productivity is the amount of work produced in a given period of time (HRSDC, 2011c). The interrelationship between all three components is used to determine a person's capacity to work at a substantially gainful level; an adjudicator must conclude that all three criteria are met prior to ceasing a client's benefits.

If it has been demonstrated that a client has the capacity for regular work, a work trial begins the month following the month that the beneficiary earns or exceeds the monthly SGO amount (\$960). The Three-Month Work Trial provides the beneficiary with a period of time to establish a work pattern, strengthen their endurance, and identify required supports. It also allows them to test their ability to regularly report for work and to conduct the required tasks of a job.

Prior to the completion of the work trial, CPPD must determine if the beneficiary is able to continue working regularly at a substantially gainful level, and whether there is a sustained capacity for work. If these conditions are met, and the beneficiary is assessed to continue to be

productive, performing and profitable, a decision is made to cease benefits at the end of the trial work period. If these conditions cannot be satisfied and the return-to-work attempt is unsuccessful, the client will continue to receive benefits.

Recurrence of Disability

If following a cease of benefits a former client experiences a recurrence of his or her disability, he or she has the Fast Track Reapplication Incentive and AR policy available to them to expedite re-entry onto CPPD benefits. These incentives are available to minimize the perceived risks associated with attempting to return to work.

Appendix C.

Interview Guide

Demographic/ Employment:²⁰

- Of the individuals who are members of your organization, how many receive CPPD benefits?
- From what you are aware, how many of these CPPD clients are currently employed?
- Of those who are employed, what types of occupations do they possess? Differences in age? Type of disability?
- Do you believe there are a significant number of individuals who are able to work, but are not working? If so, what do you believe contributes to this? What obstacles may they be facing?

Knowledge of CPPD policies and incentives:

- CPPD has a number of policies and incentives in place to encourage individuals to return to work, such as Allowable Earnings, Volunteer and Education Incentives, and a Three Month Work Trial. To what extent do you believe the CPPD clients are aware of these incentives?
- What do you understand the Allowable Earnings policy to mean?
- Are there significant differences in the awareness/understanding of some CPPD return-to-work incentives over others?

Improvements:

- Do you believe there is anything CPPD can do to mitigate the disincentives to working that exist in the program? What can be changed?
- Are there any ways the communication of these policies can be improved?

²⁰ Items in red were not asked to interviewees from the Academics category.