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It's time to tear down the "welfare wall" for persons with disabilities*

The talk of walls between nations garners significant attention. There is virtually no discussion, by contrast, of the walls that exist within nations. In Canada, there is a particularly high "welfare wall" that acts to keep people out of the mainstream of society.

A recent study for the Centre for Research on Work Disability Policy shows how this "welfare wall" traps hundreds of thousands of Canadians with disabilities.

Individuals with disabilities already face serious employment challenges due to lack of supports, accessible transportation and understanding of their capabilities. The unemployment rate of this group is double the national average.

But persons with disabilities also face barriers from an income security system that, ironically, was intended to provide assistance.

Many cannot qualify for public or private insurance because the eligibility criteria require employment or the programs are delivered as workplace benefits. As a result, far too many individuals with disabilities end up on welfare – the leanest and most archaic of Canada's social programs.

Despite wide differences in welfare programs throughout the country, they all provide basic assistance and discretionary special assistance. Basic assistance covers core living costs, such as food, clothing and shelter. But the amount barely covers these essentials and is not indexed to inflation. Special assistance is intended for additional expenses, such as dental care, prescription medications and disability equipment.

Special assistance is a positive feature of welfare since it provides funding for additional needs. But many recipients with disabilities inadvertently become trapped behind the "welfare wall" because welfare is the only route to receive essential supports.

Recipients with disabilities can find themselves worse off financially if they have some earnings from paid employment than if they just stayed on welfare.

First, welfare recipients must pay back to government most of their employment earnings through a mechanism known as the "welfare taxback." While the rules vary by jurisdiction, recipients effectively pay back to government most of their earnings.

Second, income taxes and payroll taxes, notably Employment Insurance premiums and Canada Pension Plan (CPP) contributions, can further reduce overall income. Higher earnings also mean lower tax credits, such as the GST credit.

Then there's the loss of "income-in-kind," like supplementary health and dental benefits.

For most welfare recipients, these multiple factors mean that the cost of employment is very high.

The good news is that plenty can be done by both the federal and provincial/territorial governments to tear down the "welfare wall."

Ottawa could beef up the Working Income Tax Benefit (WITB), which supplements low earnings to ensure that paid work is a more attractive option than welfare. It also assists welfare recipients make the tough transition to work by topping up their typically low wages.

WITB pays a modest annual maximum \$1,028 for single low earners and \$1,868 for low-earning households as well as a disability supplement for eligible workers. A recently announced increase will help offset higher CPP contribution rates but will not leave more money in the pocket.

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For their part, provincial and territorial governments could extend health- and disability-related supports to working poor households as well as to those on welfare. Welfare would no longer be the only route to receive technical aids and equipment, prescription drugs and dental care.

While these changes are welcome, they would still leave in place a seriously flawed program. A more robust reform would be to dismantle welfare and replace it with a more adequate and more dignified form of income support. Canada already has a successful precedent: The National Child Benefit replaced welfare benefits paid in respect of children with a more generous federal benefit.

Similarly, Ottawa could assume responsibility for income security for persons with disabilities, whether they are working or not. A new disability income benefit could be modelled on the Guaranteed Income Supplement, which could help dramatically reduce the poverty rate for persons with disabilities as it did for seniors.

The shift to federal authority would result in a windfall savings to provinces and territories. Under a negotiated agreement, this cash could be invested in a coherent system of disability supports for all persons with disabilities – whether working or not.

The federal return on investment? A federally delivered benefit would help Ottawa achieve its twin goals of poverty reduction and inclusive growth.

Shoring up the income security system is an essential step in breaking down the "welfare wall" for persons with disabilities. Equally vital are measures that enable access to wide-ranging disability supports outside of welfare. Disability should not mean a life of poverty.

Sherri Torjman

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The Caledon Institute of Social Policy

1356 Wellington Street West, 2nd Floor
Ottawa, ON K1Y 3C3
CANADA

Tel.: (613) 729-3340

E-mail: caledon@caledoninst.org
Website: www.caledoninst.org
Twitter: @CaledonINST