



How should the new Canada Disability Benefit interact with existing disability supports?

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About the author

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About Maytree

Maytree is a Toronto-based human rights organization committed to advancing systemic solutions to poverty and strengthening civic communities. We believe the most enduring way to fix the systems that create poverty is to ensure that economic and social rights are respected, protected, and fulfilled for all people living in Canada. Through our work, we support non-profit organizations, their leaders, and people they work with.

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Overview

For the new Canada Disability Benefit (CDB) to meet its goal of financially supporting and reducing poverty of people with disabilities, it will need to supplement existing supports rather than causing them to be clawed back.

This policy brief examines how the new CDB should interact with two existing disability income supports: social assistance and the Canada Pension Plan disability benefit (CPP-D). It analyzes three interactions:

- How social assistance and the CPP-D currently interact;
- How CDB and CPP-D should interact; and
- How CDB and social assistance should interact.

The brief concludes with the recommendation that federal, provincial, and territorial governments centre human dignity and the right to an adequate standard of living, and collaborate to ensure interactions that are beneficial to people with disabilities living in poverty. This includes streamlined eligibility processes and regulations that prevent negative interactions, such as benefit clawbacks.¹

Context

In 2021, people with disabilities were almost twice as likely to live in poverty as the rest of the population. This is not new and has been a consistent trend.² While supports exist, they are insufficient and have not guaranteed people with disabilities the right to an adequate standard of living.

Recognizing this reality, in June 2023, the Parliament of Canada passed Bill C-22, establishing the Canada Disability Benefit to “reduce poverty and to support the financial security of persons with disabilities.”³ The Bill is a “framework

1 This paper assumes that the amount of the Canada Disability Benefit will not, by itself, meet the threshold of an adequate standard of living for people with disabilities. This is not an endorsement of a lower benefit amount, but a reflection of a prevailing expectation advanced by, for example, the Office of the Parliamentary Budget Officer. If the CDB were to provide an adequate standard of living, reducing other benefits could be justified. In such a circumstance, it would be incumbent on governments to reinvest any savings in an adequate standard of living for all people in Canada living in poverty through either new income supports or improved services.

2 Statistics Canada. (May 2023). *Poverty and low-income statistics by disability status*. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1110009001>

3 Parliament of Canada. (June 2023). *C-22 - An Act to reduce poverty and to support the financial security of persons with disabilities by establishing the Canada disability benefit and making a consequential amendment to the Income Tax Act*. <https://www.parl.ca/legisinfo/en/bill/44-1/c-22>

legislation,” meaning that the features of the CDB, such as eligibility, benefit amount, or interactions, will be established in the ongoing regulatory process taking place at Employment and Social Development Canada. The Bill stipulates that the CDB must come into force by the summer of 2024, within a year of receiving royal assent.

Ensuring that the new CDB interacts favorably with existing supports – notably social assistance and the Canada Pension Plan disability benefit (CPP-D) – will be necessary to eliminate poverty and guarantee the right to an adequate standard of living to people with disabilities in Canada.

What are social assistance and the Canada Pension Plan disability benefits?

The CPP-D is a benefit within the Canada Pension Plan (CPP) – the retirement pension run by the federal government. It is intended to support qualifying working-age people with disabilities until they reach retirement age. To qualify for CPP-D, a recipient must be under 65, not in receipt of CPP retirement benefits, and have made sufficient contributions to the CPP in the previous six years. Recipients must also have a disability that is severe, prolonged, and prevents them from doing substantially gainful work.⁴ Some people with disabilities who receive CPP-D are not eligible for social assistance because they do not pass the social assistance asset test.

The basic CPP-D monthly payment is \$558.74, which can increase up to a maximum of \$1,546.05 as of December 2023 depending on how much the recipient contributed to the CPP.⁵ Unlike social assistance, CPP-D does not provide in-kind benefits such as dental, vision, or drug coverage. Note that those who have contributed to the Quebec Pension Plan can receive the similar Quebec Pension Plan disability benefit instead.

Social assistance programs are operated by provincial and territorial governments and differ in many small but important ways across the country. They are intended for those who have exhausted all other means of financial support. As a recipient receives more money from another benefit program, their social assistance tends to be reduced accordingly. Importantly, qualifying for at least one dollar of social assistance is often necessary to access other in-kind benefits such as drug coverage, dental care, and vision care.

4 Service Canada. (Fall 2022). *Canada Pension Plan Disability Benefit – Your Complete Toolkit*. https://publications.gc.ca/collections/collection_2023/servcan/SG5-101-2022-eng.pdf

5 Ibid.

Social assistance benefits vary by jurisdiction, but overall do not provide recipients with enough to escape poverty, or even deep poverty.⁶

Not all social assistance programs are targeted to people with disabilities. In jurisdictions with two programs or more, at least one will be specific to people with disabilities. In jurisdictions with only one social assistance program, people with disabilities have access to disability-related supplements. However, definitions of disability for eligibility vary. Even when similar definitions are used for various programs, the application of the definition differs based on regulations or jurisprudence.

Analysis

1. The existing interaction between social assistance and CPP-D

Many people with disabilities living in poverty are eligible for both social assistance and CPP-D. People with disabilities receiving social assistance are required to apply to the CPP-D if they are eligible.

Impact on total benefit amounts

Because social assistance is intended to be an income of last resort, a recipient's CPP-D income is subtracted dollar-for-dollar from their social assistance benefit in almost all jurisdictions. For example, if a person with a disability qualifies for a social assistance benefit of \$900 and then becomes eligible for a CPP-D benefit of \$600, their total monthly income will remain \$900. Their CPP-D is unchanged, but their social assistance benefit will be reduced to \$300.

This method of reducing social assistance dollar-for-dollar is true of most sources of what is called “non-exempt unearned income.” Two jurisdictions are exceptions. The first is New Brunswick, which exempts \$200 per month of income from Canada Pension Plan sources (including CPP-D) for each household receiving social assistance.⁷ The second is the Northwest Territories, which allows for a

6 Laidley, J. & Tabbara, M. (July 2023). *Welfare in Canada, 2022*. Maytree. <https://maytree.com/changing-systems/data-measuring/welfare-in-canada/>

7 Government of New Brunswick. *Social Assistance Policy Manual*. https://www2.gnb.ca/content/gnb/en/departments/social_development/policy_manual.html

\$1,200 exemption on otherwise non-exempt unearned income per year and has made a commitment to increase this amount.⁸ This exemption is not specific to CPP-D and can be used for other unearned income.⁹ In 2018, Ontario proposed to include certain types of non-exempt unearned income in its earned income exemption, such as CPP-D and Employment Insurance, but this decision was reversed by the incoming government before it could take effect.¹⁰

How social assistance treats other income

Beyond social assistance benefits, a recipient's income is distinguished between **earned** and **unearned (or non-earned) income**. The former includes income from employment or self-employment, whereas the latter includes government benefits, maintenance support payments, gifts, and pension payments. Although funded through payroll contributions, CPP-D is considered a form of unearned income.

All social assistance programs **partially exempt earned income** on the principle that recipients have control over how much they work and should be encouraged to work more. It is different for each program, though typically there is a base exemption, after which there is sometimes a percentage exemption. For example, for recipients of Alberta Supports, the first \$230 of monthly earned income are exempt, after which a 25 per cent exemption is applied.

All social assistance programs deem certain types of unearned income as **exempt (or allowable or excluded)**, so they do not reduce the amount of social assistance benefits. This varies, but exempted unearned income usually includes child-related supports, such as the Canada Child Benefit, as well as tax credits, such as the GST/HST tax credit or the Canada Workers Benefit.

For almost all social assistance programs, all other types of unearned income are **not exempt (or non-exempt or chargeable)**, including Employment Insurance and CPP-D, which means they are subtracted dollar-for-dollar.

8 Government of the Northwest Territories. (August 2023). *GNWT announces improvements to Income Assistance Program and introduces Income Assistance Program for Seniors and Persons with Disabilities*. <https://www.gov.nt.ca/en/newsroom/gnwt-announces-improvements-income-assistance-program-and-introduces-income-assistance>

9 Government of the Northwest Territories. (July 2023). *Income Assistance Policy Manual*. https://www.ece.gov.nt.ca/sites/ece/files/resources/97_income_assistance_policy_manual_-_july_2023.pdf

10 Government of Ontario. (March 28, 2018). *Budget 2018 - A plan for care and opportunity*. <https://budget.ontario.ca/2018/index.html>

Impact on in-kind benefits

An important concern for many people with disabilities is that if their CPP-D benefits are high enough, it can cause their social assistance benefits to reduce to \$0, which would mean that they are no longer eligible for social assistance. In this scenario, while the recipient may have slightly more income, they may lose access to all in-kind services provided by their social assistance program. Since CPP-D does not provide in-kind services, the cost of paying for these services out-of-pocket nullifies the benefit of the extra income from CPP-D, and often leaves recipients worse off.

Because all actual and potential sources of income are considered when determining eligibility for social assistance, a person with a disability who is eligible for CPP-D cannot choose to receive social assistance instead.

In sum, eligibility for the CPP-D makes a person receiving social assistance no better off and, in fact, could leave them worse off. In designing the new CDB, the federal government should both consider and learn from the interaction between social assistance and CPP-D. As described below, governments should work together to make sure the new CDB is designed so every recipient receives the full value of the new benefit without losing access to other supports.

2. How CDB and CPP-D should interact

Since the CPP-D and the CDB are both federal programs, it is the responsibility of the federal government to ensure that they supplement each other without any clawbacks. CPP-D benefits should not be reduced because someone receives CDB, and vice-versa.

Furthermore, eligibility for CPP-D should be recognized as conferring eligibility for the CDB. The federal government should not require people with disabilities to go through multiple processes of proving their disability.

3. How CDB and social assistance should interact

In recognition that the intent of Bill C-22 is to reduce the poverty of people with disabilities, the federal government should seek assurances from all provinces and territories that social assistance benefits will not be reduced because someone is eligible for the CDB.

Multiple witnesses in two parliamentary committee hearings on Bill C-22 said their primary concern is that provinces and territories will deduct the CDB, as they

do the CPP-D, from social assistance benefits.¹¹ And there is some evidence that certain jurisdictions are considering this possibility.¹²

Social assistance programs should treat the CDB as exempt unearned income. This would be consistent with the treatment of other benefits and refundable tax credits, for example the Canada Child Benefit. Like the CDB, the Canada Child Benefit was created to reduce poverty by supplementing the income of families with children, including those receiving social assistance. The CDB should not be partially exempt like earned income, and it should certainly not be treated as non-exempt unearned income like the CPP-D.

Another important consideration is how the phase-out of CDB and social assistance may interact in a way that creates a barrier to employment. The phase-out of the CDB should be set such that income from employment does not claw back both social assistance and the CDB simultaneously.

Finally, as noted for the CPP-D above, eligibility for disability-related social assistance benefits should be recognized as conferring eligibility for the CDB. Governments should not require that people with disabilities go through multiple processes of proving their disability.

Conclusion

The Canada Disability Benefit is an opportunity to guarantee that people with disabilities can live a life with dignity and have an adequate standard of living. As the regulation process continues, it is necessary that federal officials collaborate with their provincial and territorial counterparts to modify the appropriate legislation and regulations so that people with disabilities living in poverty have access to the CDB alongside their CPP-D or social assistance benefits, and not instead of them.

This brief recommends that governments in Canada centre human dignity and the right to an adequate standard of living by both streamlining eligibility processes and implementing regulations that prevent negative interactions, such as benefit clawbacks.

11 Curry, B. (February 27, 2023). Senators question disability benefit legislation unanimously approved by MPs. *The Globe and Mail*. <https://www.theglobeandmail.com/politics/article-new-disability-benefit-senate/>

12 Mulligan, C. & Bond, M. (November 24, 2023). ODSP advocates fear province might claw back payments with introduction of federal benefit. *CityNews Toronto*. <http://tinyurl.com/bde2mz7c>.



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