
TIRED OF BEGGING FOR DIGNITY

**A Background Paper
on
Pension Programs for the Disabled**

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Roberta D. has worked for 35 years, a large part of this time as a civil servant with the federal government. Because she suffers from arthritis, a severe heart condition, diabetes and respiratory problems she is no longer able to work. In 1985, she applied for provincial Assured Income for the Severely Handicapped (AISH) benefits but was rejected four times. According to a spokesman for the provincial social services department, she "doesn't have a permanent handicap severe enough to prevent her from earning a living after proper treatment", despite statements to the contrary from her doctor. On her fifth attempt, the department relented. Most of Roberta's savings are gone and she is totally dependent on the \$720.00 monthly AISH payment she receives. After her household expenses are paid, including rent on her modest apartment, she has \$132 a month. This must pay for groceries, personal needs and medical expenses. These include a humidifier ordered by her doctor, orthopedic shoes for diabetics and a special diet, none of which she can afford.

Roberta's monthly payment of \$720 is made up of \$270 from the provincial AISH program and \$450 from the Canada Pension Plan disability pension. The provincial government is deducting Roberta's federal CPP benefits from her AISH payment effectively limiting her maximum salary to \$720 a month. This according to Roberta, destines her to a life of "abject poverty".

Eugene D. has worked most of his life as a mechanic. At one time he owned his own business and had four employees under him. He was forced to quit work five years ago because of severe emphysema. Even simple tasks such as going for a walk is a major challenge these days. Because Eugene is a widower, he receives both the federal spouse's allowance and provincial widow's pension as well as CPP disability benefits. His total monthly income of \$780 never seems to stretch far enough no matter how frugal he is. After his rent and medications are paid for, he has \$350 left which must cover food, utilities, personal needs, repairs and other household items.

Eugene's income includes \$373 from his federal spouse's allowance and \$398 from his CPP pension. His provincial widow's pension has been reduced to \$8 as the province deducts any federal money he receives, including any cost of living increases. "I've paid taxes all my life. I've contributed my share to society. I shouldn't be forced to live in poverty the rest of my life." Eugene states as he contemplates his struggle to survive his retirement years with some measure of dignity. He is 62 years old.

These people and thousands of others across the province have several things in common:

- they have all worked, paid taxes and been productive members of society for most of their adult lives;
- they have incurable illnesses which make them unemployable;
- they are forced to live below the poverty line and must fight an uncaring bureaucracy for even minimal benefits.

The most disturbing aspect of any of the situations described above is that it could happen to anyone. Tomorrow you, your neighbor, your friend or a relative could be in a similar situation. Very few Albertans could cope financially if they were to suddenly find themselves disabled and unable to work. The vast majority of disabled Albertans suffer in silence as they are too busy dealing with their handicap and begging an often cold and inflexible bureaucracy for financial help.

This paper examines some of the inequities in pension programs for the disabled. The following highlight some of the major areas of concern:

1. Federal money is used to subsidize provincial programs at the expense of the poor

Individuals on provincial programs such as AISH, social allowance or the widow's pension are finding that their provincial benefits are being reduced by the exact amount of any

federal money they receive, such as CPP benefits. Even cost of living increases granted by the federal government are not being passed on. Jake Epp, the federal minister of health and welfare has expressed concern that several provinces - including Alberta - have refused to pass these increases on to the handicapped for whom they were intended. According to Epp. "At that time (about two years ago) I said to the provinces that I did not think it was right when these people had paid into the (CPP) program. I was fairly firm with my approach and I hoped my announcements would move some of them" (Edmonton Journal, October 15, 1988). So far it hasn't. The Alberta government's response is that they are obliged to practice fiscal responsibility even if this means some individuals may experience difficulties managing on a limited income.

Because each provincial program - social allowance, AISH and the Widow's Pension - has different regulations and is affected differently by CPP deductions, each is discussed individually below.

a) Social Allowance and CPP Benefits

The Social Allowance program is cost shared equally by the federal and provincial governments through funding provided by the Canada Assistance Plan. According to CAP guidelines, the provinces can establish rates and ceilings for needs. The federal government sets cash asset levels. In determining the amount of social allowance a person is entitled to, only certain types of income are exempted by Alberta such as the Heritage Fund Mortgage Interest Reduction benefit. According to Alberta legislation, CPP benefits are not considered exempt income and therefore must be deducted dollar for dollar.

Two years ago, the federal government recommended that all provincial governments pass disability increases on to handicapped individuals on social allowance programs. (See Appendix A for a copy of Jake Epp's letter, June 6, 1987.) The Alberta government, as did all other provinces in Canada, chose to ignore this recommendation. (See Appendix B for a copy of correspondence from Connie Osterman, Minister of Alberta Social Services, June 1, 1988.)

Because social allowance programs are cost shared, failure to pass on federal increases has resulted in large savings by both levels of government. A pension specialist with Health and Welfare Canada estimated that over \$46.5 million in social allowance payments is saved annually across Canada. Of this total, the federal government saves about \$23 million while the provinces as a whole share the remaining \$23 million. Alberta's share of these savings is about \$1.6 million a year. It should be cautioned that these are rough estimates only. However, they are given to provide an indication of the magnitude of savings involved. According to one social allowance recipient "People like me are supposed to get these increases, but the province is pocketing it instead. We are the poorest of the poor. We don't even have enough money to buy clothes and shoes."

The federal government maintains its hands are tied as the provinces have the right to set social allowance levels. For at least one social allowance recipient, it means continuing to struggle on a monthly income of \$572. Although he was awarded \$173 in federal cost of living increases over the past two years, none of this money has been passed on to him. It has been estimated there are about 1500 people in Alberta receiving both social allowance and CPP benefits, and who are affected by this policy.

b) AISH and CPP Benefits

AISH is a provincial program funded entirely by the province. It is intended as a pension program for those individuals 18 or over who have a severe handicap.

Before an individual is eligible to receive AISH, they must first apply for CPP benefits. If they are eligible for this program, CPP payments are promptly deducted dollar for dollar from their AISH cheques. This suggests that the Alberta government is using federal funds intended for disabled people to underwrite their own provincial program.

Unlike the Social Allowance program, there is an extensive list of income exemptions for AISH. Retirement savings income is one type of income considered exempt by the legislation. (See Appendix C for a copy of AISH Income Exemptions.) Yet, the Alberta Government continues to deduct CPP benefits from individual's AISH payments. The Canada Pension Plan is a compulsory retirement pension plan paid into by all Canadians who have worked outside the home. It should be considered retirement income and be exempted. This would allow people like Roberta to live with some measure of dignity. She would then be eligible to receive her full AISH payment of \$720 a month and \$450 from CPP disability payments.

c) Provincial Widow's Pension and CPP Benefits

As with social allowance and AISH, the provincial widow's pension does not consider CPP benefits as exempt income. These benefits and all cost of living increases are deducted dollar for dollar. The maximum an individual is entitled to is about \$720 a month, which includes all sources of income. Those on the provincial widow's pension do, however, have more generous benefits than individuals on social allowance and AISH. Their health care premiums are free, 80% of their prescription drugs are paid for through Alberta Blue Cross, they have partial coverage for optical, dental, hearing aids and other medical needs, their property tax is reduced (or they receive a renter's assistance grant) and they are eligible for a home improvement and home heating grants. It can be argued that the full range of benefits given to widows should be extended to disabled Albertans. There seems to be a lack of equity in the regulations as an individual too ill to work is in just a great a need of these breaks as someone too old to work.

2. Provincial assistance program such as social allowance, AISH and Widow's Pension provide inadequate levels of support

Social allowance benefits for single employable individuals with no dependents is \$420 a month. This individual may also be eligible for other benefits such as a one-time clothing allowance and/or a transportation allowance. There are restrictions attached to these "extras" and an individual may not receive them if he doesn't specifically request them. The maximum allowed for the AISH and provincial widow's pension program is \$720 a month. The maximum entitlement for all three programs is well below the poverty line. In 1988, the poverty line for a single person was \$11,564 a year or about \$964 a month.

The only way many individuals can rise above the poverty line while on these programs is through their CPP payments. To date, the provincial government has shown little empathy for people on fixed incomes. They continue to use CPP funds to underwrite provincial programs rather than passing the extra money on to handicapped Albertans.

3. AISH legislation penalizes single recipients

There are a number of inequities in the AISH legislation pertaining to income exemptions that favour married couples over single individuals. For example, a married couple does not have to claim \$705 per month plus 25% of any amount over \$705 of a spouse's income. A single person, on the other hand, is only allowed to exempt income up to \$150 per month plus 25% of any amount exceeding \$150. This appears to discriminate against single individuals and could possibly be challenged under the Charter of Rights.

4. The only feasible way for most people to receive more money on AISH is to get a job

There are a number of different types of income that are partially exempt when determining the amount of handicap benefit payable to an individual on AISH. These include interest income, investment income, dividend income, retirement savings income, lottery winnings, board and room income, farm income and scholarships, bursaries and training allowance. Most of these exemptions are only applicable to upper income individuals who have had an opportunity to save and invest their money. The only other way a person on AISH is allowed to make more money is to work. This is absurd as someone must have a severe handicap in order to qualify for AISH in the first place. If CPP benefits qualified as retirement income, then many individuals on AISH would have a realistic opportunity of increasing the amount of money available to them.

5. AISH Benefits Are Not Based on Need

This is aptly illustrated by the example below:

Gordon N. was a computer technician until he was diagnosed with Lou Gehrig's disease. This is an incurable neuron motor disease which causes the nerves to degenerate. The disease has robbed Gordon of the use of his arms, making it impossible for him to work. Gordon applied for AISH benefits but was rejected. His wife's modest income of \$16,000 a year was considered too high, making him ineligible for provincial assistance. The only government help he receives is a monthly federal CPP payment of \$540. Gordon's medical and household expenses far exceed his wife's salary and modest CPP pension. Medical expenses include \$220 a month for experimental amino acid treatment as well as various types of prostheses. Gordon will soon have to make extensive modifications to his house as he will soon be in a wheelchair. He estimates this will cost about \$35,000. Another \$1450 is need for a special lock on his house as he cannot hold a key. Most of these expenses are not covered by the provincial Aids to Daily Living Program. According to Gordon, "No one seems to give diddly squat. I'm just trying to make things a little easier while I'm still alive. But to the government, I'm just another number."

Neil Crawford, a provincial MLA, suffers from the same fatal disease Gordon has. A special position was created for him when he became too ill to handle his normal work. "If they can do that for somebody that has some political prominence, why are the rest of us being ignored?" Gordon wonders as he contemplates his bleak future.

The legislation should not be contingent on what the spouse's income is but what a person's needs are. The program treats every handicapped individual in the same manner. In reality, some disabilities are far more costly than others. To be equitable, the rates should be based on actual expenses rather than simply focusing on the amount of income an individual or couple is earning.

SUMMARY

The Canada Pension Plan was instituted in 1966 to provide retirement benefits to Canadians who have contributed to the plan during their working lives. Payments to the plan are compulsory, with the amount of contribution shared equally by employers and employees. All Canadians should be entitled to their full CPP benefits. The money is their own, invested and administered on their behalf by the federal government to provide for their retirement. Disabled Albertans do not seem to enjoy the same benefits accorded the average citizen. Their CPP payments are used to underwrite provincial assistance programs that they are entitled to. This is ironic as the disabled are most in need of financial assistance because of often staggering medical bills and an inability to work because of severe health limitations. At the very least, the disabled should

be entitled to their full CPP benefits in addition to the full amount of any provincial programs they are eligible for.

The measure of a truly democratic and compassionate society is the manner in which its less fortunate citizens are treated. Alberta Social Services, in Caring and Responsibility, a document outlining a new social policy for the province describes the role of government "To promote a society which respects the beliefs, values, worth and contributions of all individuals and allows them to participate fully in all aspects of Alberta life" (p. 10). To date their social policies lock people into a life of dependence, poverty and despair. The disabled are particularly vulnerable as they must cope with their disability and fight an often uncaring and inflexible bureaucracy for rights that should be automatically accorded them. They are not asking for government handouts. They just want what is rightfully theirs.

RECOMMENDATION

1. That those individuals on provincial assistance programs such as social allowance, AISH or widow's pension and receiving federal CPP pension benefits, not have their federal benefits deducted from provincial monies they are entitled to.
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APPENDICES

Minister of National Health
and Welfare



Ministre de la Santé nationale
et du Bien-être social

OTTAWA, K1A 0K9

12 VI 1987

Nasir Murtaza
388 Hermitage Road
EDMONTON, Alberta
T5A 3K9

Dear Nasir Murtaza:

I am pleased to now be in a position to respond to your letter of February 7, 1987, concerning the effects of a recent increase in the CPP disability payments on your provincial social assistance benefits.

As a result of the situation you describe in your letter, I have taken steps to allow provinces/territories to exempt this increase when determining eligibility for social assistance benefits. Therefore, effective January 1, 1987, provinces/territories for purposes of cost-sharing under the Canada Assistance Plan, will not be required to deduct the CPP disability increase from the social assistance payments made to recipients of the disability increases.

I have written to my provincial/territorial colleagues, asking them to take advantage of this exemption so that the CPP disability increase might be passed on in full to beneficiaries who are in receipt of social assistance.

I expect that every province/territory will be willing to pass on these increases and I have asked them to inform me of their intentions in this regard.

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Nasir Murtaza

I believe that this decision on the part of the federal government will go a long way in resolving the situation you described.

Thank you for taking the time to write to me on this matter.

Yours truly,

Jake Epp

Jake Epp



SOCIAL SERVICES

Office of the Minister

424 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-2606

June 1, 1988

Mr. Robert Chometsky
BSW Placement Student
Edmonton Social Planning Council
#418, 10010 - 105 Street
Edmonton, Alberta
T5J 1C4

Dear Mr. Chometsky:

Thank you for your letter of April 12, 1988, on behalf of Mr. Nazir Murtaza, outlining your concerns about our Departmental policy of deducting Canada Pension Plan (CPP) benefit increases from Provincial Income Security Programs.

The Provincial and Territorial Governments are mandated to design financial assistance programs to meet the basic needs of individuals who are permanently or temporarily unable to provide for themselves. In designing these programs, we are guided by mutually agreed upon guidelines established between ourselves and the Federal Government. We are mandated to establish rates and ceilings for needs while the Federal Government sets asset levels. In this context, "assets" means cash assets or their equivalent.

In conducting a needs test, assets and income are weighed against the monthly needs of individuals. Recipients of social allowance are expected to remain as self-sufficient as possible by applying all available income to meet the cost of basic necessities. Social allowance benefits are intended to provide for goods or services considered essential. CPP benefits and similar types of income, as well as any increases to those income sources are, therefore, deducted dollar for dollar from the monthly basic necessities budget requirements.

You can be assured that we have seriously considered Mr. Epp's suggestion that we exempt CPP increases as indicated in his letter to Mr. Murtaza. However, the provinces and territories are not obliged to adhere to this recommendation.

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Mr. Chometsky

June 1, 1988

Current legislation governing Income Security Programs, and our obligation to the taxpayers of our Province to practice fiscal responsibility, makes it necessary to deduct increases in pension income provided by the Federal Government from the level of benefits an individual is receiving.

I appreciate the difficulties Mr. Murtaza may be having managing on a limited income. However, I am not able to support changing our policies at this time.

Thank you for making me aware of Mr. Murtaza's ongoing concerns. I trust I have clarified our Government's present position on this matter.

Sincerely,



Connie Osterman (Mrs.)
Minister
M.L.A., Three Hills

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SCHEDULE 1
A.I.S.H.
Income Exemptions

- 1 The following income of any person and of his spouse is exempt for the purpose of determining the amount of a handicap benefit payable to that person:
- (a) income consisting of family allowance;
 - (b) income consisting of a federal child tax credit;
 - (c) income consisting of Alberta Renter's Assistance Program payments;
 - (c.1) income consisting of Remote Area Heating Allowance;
 - (d) income consisting of a handicap benefit received by the spouse of that person;
 - (e) if that person
 - (i) has a spouse, \$705 per month plus 25% of any amount exceeding \$705 per month, or
 - (ii) is a single person, \$150 per month plus 25% of any amount exceeding \$150 per month
 of the aggregate income derived from any or all of the following sources:
 - (iii) interest income;
 - (iv) investment income
 - (v) dividend income;
 - (vi) retirement savings income;
 - (vii) lottery winnings;
 - (viii) board and room income;
 - (ix) farm income;
 - (x) scholarships, bursaries and training allowances;
 - (xi) net earnings from employment consisting of that portion of earnings remaining after normal salary deductions other than deductions for loans, indebtedness, bond purchases, savings and board and room;
 - (xii) the following income of a spouse:
 - (A) Old Age Security;
 - (B) Guaranteed Income Supplement;
 - (C) Alberta Assured Income Plan;
 - (D) Workers Compensation;
 - (E) Unemployment Insurance;
 - (F) Canada Pension Plan;
 - (G) War Veterans Allowance;
 - (H) War Disability Pension;
 - (I) any other retirement or insurance income.