

MEMORANDUM

TO: Department of Employment and Social Development, Government of Canada

FROM: Renze Nauta, Program Director, Work & Economics
Andreae Sennyah, Director of Policy

DATE: September 23, 2024

SUBJECT: Consultation on the Proposed Regulations for the Canada Disability Benefit

ISSUE

The Canada Disability Benefit is a new program intended to help working age people with disabilities improve their financial security. The proposed benefit is an income supplement for those aged 18 to 64 years old. Eligibility is tied to the existing Disability Tax Credit which is available to people with severe and prolonged impairments. The maximum benefit amount is \$2,400 annually. The Government of Canada estimates that over 600,000 low-income people with disabilities will benefit. The following comments and recommendations were submitted as part of the consultation on the draft regulations.

COMMENTS AND RECOMMENDATIONS

- Cardus supports the inclusion of a working income exemption. As we stated in previous rounds of consultation, given the monetary and non-monetary benefits of work, the benefit should be structured in such a way that avoids disincentives to work.
- Cardus supports the phase-out structure of the benefit payments that reduces at 10% for couples and 20% for singles. By tying the benefit to income, the regulations are indirectly varying the support for recipients based on their capacity to work, assuming that those with the most severe disabilities will have the lowest working income. This is consistent with our previous recommendations that the benefit be varied according to the severity of a disability and that a low phase out rate be implemented to minimize disincentives to work from the benefit.
- Recommendation 1: The Government of Canada should consider whether a maximum annual amount of \$2,400 is sufficient to address poverty levels for people with disabilities. The Canada Disability Benefit should provide sufficient income support for people who are living in poverty and are unable to work.
- Recommendation 2: Cardus is concerned about the presence of a marriage penalty in the proposed benefit. Under the draft regulations, the benefit would be phased out more quickly if an individual has a spouse with an income greater than \$9,500 than if that individual were a single person living on their own.¹ Under these circumstances, a person with a disability who marries would lose their disability benefit, either in part or in full, if their prospective spouse had an income greater than this amount.
 - For some, especially those at the low end of the income spectrum, this penalty may be enough to discourage them from entering marriage. For others, the benefit on its own may

¹ This calculation is based on the draft regulations, which indicate the family income thresholds at which the benefit begins to be phased out for single individuals (\$23,000 per year) and individuals in a couple (\$32,500 per year).

- not be large enough to act as a barrier to marriage; however, the government must understand that this penalty could exacerbate the effect of other marriage penalties that exist in other government programs.
- In previous consultations, Cardus recommended that recipients of the Canada Disability Benefit not be penalized on the basis of household or family income. If the government wishes to incorporate family income into the eligibility criteria, then it must do so in a way that does not disincentivize marriage.