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Mending the Safety Net: Social Assistance Reform in Alberta

Across provinces, Alberta has recently witnessed the largest growth in the number of social assistance recipients relative to its working age population. This paper offers policy options that can help improve Alberta's social assistance programs to ensure their efficiency and effectiveness in providing appropriate support to meet recipients' needs and to increase labour-market attachment.

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THE STUDY IN BRIEF

Effective social assistance systems should provide appropriate support for those in need while discouraging long-term dependency and easing transition to stable paid employment. In Canada, Alberta over the past decade has seen the largest increase in the total number of social assistance cases, both in absolute terms and relative to the working-age population.

Getting and keeping social assistance programs right are vital to ensuring their effectiveness in providing appropriate support to people in need and to strengthening their integrity.

This *Commentary* evaluates Alberta's social assistance programs – Income Support (IS) and Assured Income for the Severely Handicapped (AISH) – in light of international best practices for reforming social assistance, especially with a view to improving labour-market attachment and reducing any potential risks of fraud and error. Furthermore, it offers policy options that can help improve Alberta's social assistance programs to ensure their efficiency and effectiveness in providing appropriate support to meet recipients' needs and to increase labour-market attachment.

These options include:

- (i) Shifting the focus in disability support programs from the inability to work to the ability to work.
- (ii) Considering an independent medical committee to assess an individual's capacity to work
- (iii) Conducting eligibility reviews on a regular basis.
- (iv) Placing supplemental benefits outside social assistance. The current loss of supplemental benefits as employment income grows beyond the eligibility threshold for social assistance raises the costs of leaving welfare and going to work, creating financial disincentives to labour participation.
- (v) Reducing the cost of working by introducing less punitive benefit clawback rates and higher exemptions for earned employment income while on social assistance, particularly in the case of IS. In particular, more generous clawback rates and higher earnings exemptions generate more incentives to exit social assistance for employment and can generate long-term cost savings as recipients leave the program, or rely less on it.
- (vi) Ensuring appropriate work requirements and support. An important way to improve social assistance is to increase the desire and ability of people to bounce out of the net and into the labour market by providing them the right tools. The types of job preparation activities assigned to beneficiaries based on their needs and program goals matter.

Policy Area: Education, Skills and Labour Market.

Related Topics: Incentives to Work; Social Assistance.

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Social assistance systems and how they interact with labour force participation are integral components of healthy and financially stable communities.

For example, long-term unemployment is associated with strong, negative effects on health. Effective social assistance systems, therefore, should provide appropriate support for those in need while discouraging long-term dependency and should ease transition to stable paid employment (Mahboubi and Ragab 2020).

The impact of the COVID-19 pandemic on the Canadian labour market, including a surge of unemployment, particularly among low-income earners, magnifies the role of social assistance systems in getting recipients off welfare after the crisis.

Social assistance programs vary across provinces, reflecting the fact they are administered at the provincial level. Among provinces, Alberta has seen the largest increase in the total number of social assistance cases, both in absolute terms and relative to the working-age population (aged 18-64) since 2008: the number of cases has doubled while the working-age population has grown by less than 17 percent (Figures 1 and 2).¹ Economic conditions appear to be a major contributor to these trends since Alberta has seen a large increase in its unemployment rate between 2008 and 2019 (3.3 percentage points) while the unemployment

rate in other provinces has either declined or increased by fewer than 1.5 percentage points.

While poor economic conditions can contribute to the growth of social assistance programs, other factors such as their structure and the lack of ongoing eligibility reviews can also play important roles. Getting and keeping social assistance programs right are vital to ensuring their effectiveness in providing appropriate support to people in need and strengthening the integrity of the programs.²

The government of Alberta should undertake a review of its social assistance programs – Income Support (IS) and Assured Income for the Severely Handicapped (AISH) – to ensure overall program sustainability and accountability with a special focus on improving eligibility criteria and the employability of recipients, particularly those with disabilities.

Our hope is that this *Commentary* will contribute to that review. We identify best international practices that could guide reforms, focusing on improving eligibility criteria, strengthening the integrity of social assistance programs, increasing work incentives and attachment, and shifting the

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- 1 Alberta in 2008 had the second lowest ratio of people on social assistance to the working population, far below other provincial ratios. Although the province moved down the ranking ladder by just one level to third place in 2019, the large change in its social assistance dependency ratio from 2.6 percent in 2008 to 4.4 percent in 2019 has made its position fragile since Alberta's distance from some lower performing provinces is minimal.
- 2 While there is no available evidence of fraud or error in Alberta's social assistance program, it is still important to consider best practices for limiting any such incidences.

Key Concept Explainer

Less Stick more Carrot: Social Assistance Clawbacks. If social assistance recipients in Alberta go back to work, they face clawbacks on their benefits as their income passes a relatively low threshold. (Clawbacks for Income Support recipients start at income of \$230 a month.)

A review of international experience shows that a number of policy options exist to improve the current social assistance system, with a focus on increasing work incentives and labour-force attachment. These include:

- (i) reducing the cost of working through less punitive benefit clawback rates and higher exemptions for earned employment income;
- (ii) shifting the focus in disability support programs from the inability to work to the ability to work;
- (iii) ensuring appropriate work requirements and support; and,
- (iv) placing supplemental benefits outside the social assistance regime.

focus in disability support programs from the inability to work to the ability to work.³

Eligibility for Alberta social assistance rests on meeting asset and income cut-offs, as well as (i) an agreement to seek employment or participate in activities leading to eventual employment through a Service Plan in the case of IS and (ii) proof of substantial mental or physical impairment in the case of AISH. People with a mild to moderate level of disability who do not qualify for AISH may qualify for IS.

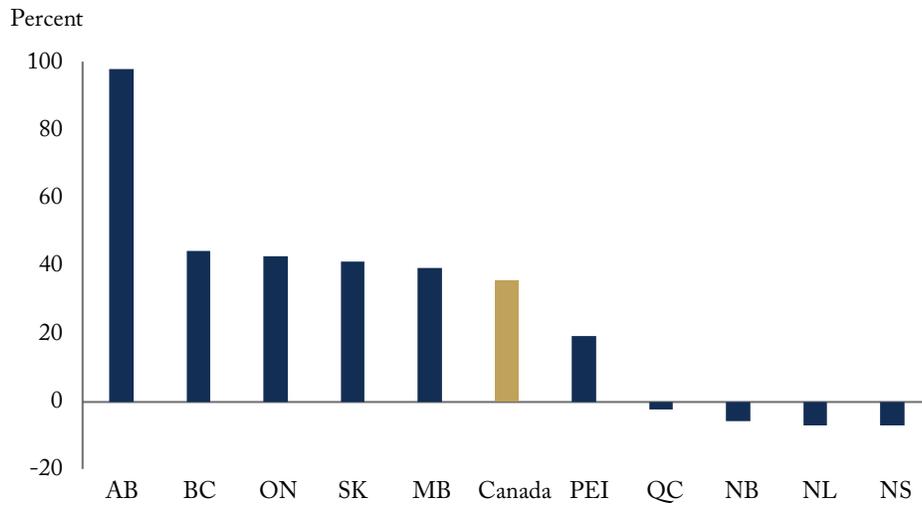
The size of IS caseloads has been largely responsive to economic conditions (e.g., unemployment rate) likely due to the requirement for developing a Service Plan (Figure 4). However, despite a sharp reduction in the unemployment

rate from 2016 to 2018, the number of recipients continued to increase.

The 2019 Alberta Auditor General's report revealed a potential explanation for that growth as it shows 4 percent to 50 percent of IS recipients, depending on their sub-program, failed to receive the required services and programs in their Service Plan or a record of follow-up between 2016 and 2018. These statistics suggest the need for more rigorous development and monitoring of Service Plans to tackle barriers to employment, based on recipients' needs. Similarly, evidence from Ontario shows that identifying appropriate employment assistance programs also greatly matters (Adams, Chow and Rose 2018).

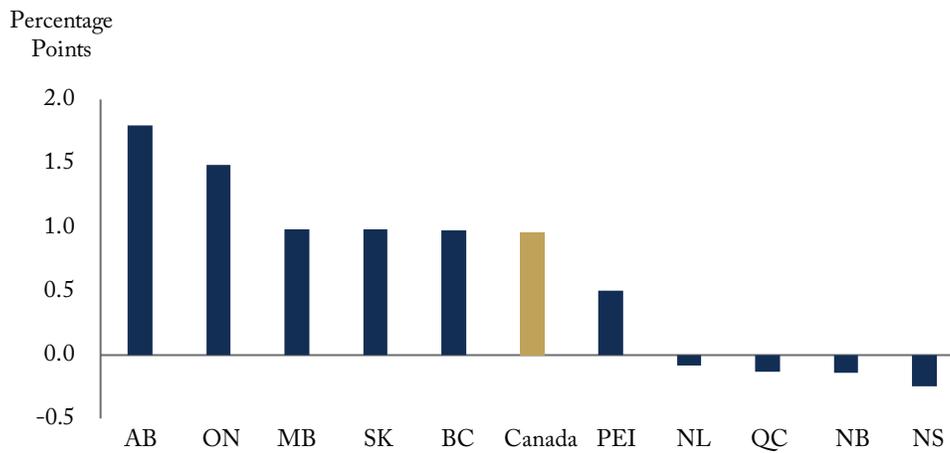
3 A complementary action would be to incentivize employers to hire people with disabilities. This requires engagement with the business community to prompt inclusive hiring practices.

Figure 1: Rate of Change in Social Assistance Caseloads 2008-2019



Source: Authors' calculations using statistics from Maytree (2020).

Figure 2: Change in Social Assistance Dependency Ratio 2008-2019



Note: Social assistance dependency ratio is the number of caseloads relative to the working-age population (ages 19-64).
 Source: Authors' calculations using statistics from Maytree (2020) and Statistics Canada, Table 17-10-0005-01.

Conversely, there is no connection between economic conditions and the growth of the AISH program. AISH caseloads have been on the rise since 1997, tripling to 63,453 in 2019. Clearly, getting people with disabilities off welfare is generally more challenging. Indeed, according to the Statistics Canada Survey on Disability, the unemployment rate for job seekers with disabilities (ages 25-64) in Alberta was 10.2 percent in 2017, three percentage points higher than that for those without disabilities. Therefore, people with disabilities may require additional supports in order to meet the challenges of daily living. Examples include a higher assistance rate, supplementary assistance and specialized employment supports. Furthermore, the differences between IS and AISH in terms of benefit generosity and expectation to leave the social assistance program make AISH more attractive to people with disabilities and may incent individuals with less severe or more manageable disabilities to enter AISH instead of IS.

Alberta's social assistance system recognizes that the disabled face greater challenges in their daily lives as well as in the labour market and provides health-related assistance. However, it fails, in practice, to take into account the possibility of improvements in a person's disability level and the potential capability of a person with a permanent disability to contribute to the economy since disability exists on a spectrum. There is no requirement for caseworkers to periodically review medical eligibility of most AISH cases and no obligation for AISH recipients to participate in activities that help tackle employability barriers.

Rather than improving social assistance through stricter eligibility criteria for access to benefits, both AISH and IS should focus on increasing work incentives and enhancing outcomes by assigning appropriate programs and services to tackle employment barriers. At the same time, they should also focus on reducing the cost of returning to the workforce in order to create incentives to exit social assistance. In this regard, programs need to gather

sufficient performance indicators, set meaningful targets on the duration of assistance for recipients, either with or without disabilities, and monitor performance. In addition, the province should explore the potential impacts of a more generous asset test on work incentives since assets can cushion against the benefit losses and financial risks of returning to the labour market (Robson 2008).

The government should also consider a single program for all people with disabilities and provide appropriate support based on a recipient's needs and employability judged by an independent medical committee. It also needs to conduct disability reviews on an ongoing basis, and should continue to monitor the effectiveness of the services that recipients are required to use and incentivize individuals to adhere to those requirements. Furthermore, reforms need to take into consideration other supports from both the federal and provincial governments such as refundable tax credits (Mahboubi and Ragab 2020).

Lastly, a review of international experience shows that a number of policy options exist to improve the current social assistance system, with a focus on increasing work incentives and labour market attachment. These include: (i) shifting the focus in disability support programs from the inability to work to the ability to work; (ii) placing supplemental benefits outside the social assistance regime; (iii) reducing the cost of working through less punitive benefit clawback rates and higher exemptions for earned employment income; and (v) ensuring appropriate work requirements and support. Meanwhile, the program should address barriers to employment beyond employment training needs, such as mental health, addiction and homelessness.

Such policies would better integrate services to benefit recipients, improve access for those who need social assistance, better identify those who don't and break barriers to work within the program.

Table 1: The Value and Components of Welfare Incomes by Program, Disability Status and Household Type in Calgary, 2018

Program	Income Support			Barriers to Full Employment	AISH
	Expected to Work				
Family Type	Single Person Considered Employable	Single Parent, One Child	Couple, Two Children	Single Person with a Disability	Single Person with a Disability
Basic social assistance (SA)	\$7,524	\$11,196	\$15,000	\$8,772	\$19,056
Additional SA benefits			\$275	\$936	
Federal child benefits		\$6,448	\$10,881		
Provincial child benefits		\$1,121	\$1,682		
GST credit	\$282	\$712	\$860	\$293	\$430
Provincial tax credits/benefits	\$300	\$450	\$540	\$300	\$300
Total 2018 income	\$8,106	\$19,927	\$29,238	\$10,301	\$19,786

Note: AISH clients are provided with a flat-rate living allowance benefit that is not linked to household size. However, AISH may provide a \$100 child benefit for each dependent child and personal benefits for recipients and their dependent children.

Source: Tweddle and Aldridge (2019).

ALBERTA SOCIAL ASSISTANCE: AN OVERVIEW

Alberta provides financial assistance to residents who are in need and meet eligibility requirements⁴ through two programs: Income Support and the Assured Income for the Severely Handicapped Program. Under IS, in addition to the type of program, the maximum basic social assistance depends on family type: single adults, single parents and couples (See Table 1 as an example). Additional avenues of support are available to some households

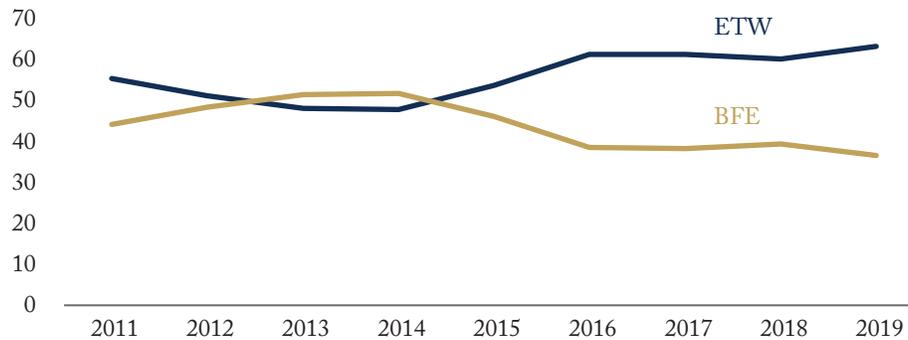
through the tax-and-transfer system such as federal and Alberta child benefits, tax credits (e.g., GST and provincial tax credits) and other social assistance benefits such as the provincial Personal Needs Allowance for persons with a disability and School Expense Allowance for couples with children.

Income Support

In addition to financial assistance, IS offers health benefits and provides access to employment

⁴ Common eligibility criteria among programs are general (e.g., age, residency) and financial.

Figure 3: Share of Recipient Type in Alberta Income Support Program, 2011-2019



Note: ETW=expected to work; BFE=barriers to full employment.
Source: Authors' calculations using statistics from the Alberta government.

assistance services⁵ to eligible beneficiaries with the goal of preparing them for finding and maintaining employment. To tackle barriers to employment, it requires recipients to develop a Service Plan, based on an employability assessment.

Based on health and employability status, recipients are assigned to two categories: Expected to Work (ETW) and Barriers to Full Employment (BFE). Other than a slight benefit gap (\$121 more in 2019 for a single person on BFE), the main difference between these categories is that BFE beneficiaries are not expected to be capable of maintaining full-time employment due to chronic health problems or other barriers to employment and, consequently, to actively look for employment before tackling their barriers.⁶

The distribution of IS recipients between these two categories has dramatically changed in recent years (Figure 3). The share of BFE has declined from 52 percent in 2014 to just below 37 percent in 2019. Over the same five years, the number of ETW recipients has more than doubled, while BFE recipients have grown by only 28 percent.

AISH

AISH provides both financial and health-related support to Albertans with severe and likely permanent disabilities. While recipients who can work are encouraged to do so, they are not required or expected to improve their employment capability through employment assistance services or even to seek employment.

5 Social assistance beneficiaries may face barriers beyond the efficacy of skills training, such as access to stable and affordable housing and mental health supports that can prevent them from finding employment.

6 On average, 2 percent of BFE recipients are employed or self-employed.

A person with a disability who does not meet the disability qualifications needs to rely on BFE under IS. Other than the degree of disability,⁷ the major difference between BFE and AISH is the maximum benefit: the AISH can pay significantly more since it based on a limited-to-no-work capability. For example, a single person on BFE can currently receive up to \$866 per month, while the maximum one-person AISH benefit is nearly twice that or \$1,685.⁸ Therefore, diagnosis of a disability and the assessment of its severity have a substantial impact on the financial situation of a person with disabilities who relies on government social assistance.

Identifying the Issues

Alberta's social assistance program has been the fastest growing among provincial income support programs. The total number of social assistance caseloads has doubled from 62,708 in 2008 to 124,034 in 2019. During the same period, the growth in recipients has also outpaced the growth in working age population, as a proxy for the social assistance dependency rate, by a large degree. Indeed, the dependency rate, the number of recipients relative to the working age population, has increased by 1.8 percentage points to 4.4 percent.

Historically, AISH has been the major contributor to the growth of Alberta's social assistance rolls. Over the past two decades, the number of AISH cases has tripled, raising its share among social assistance recipients from 35 percent in 1997 to more than 51 percent in 2019.

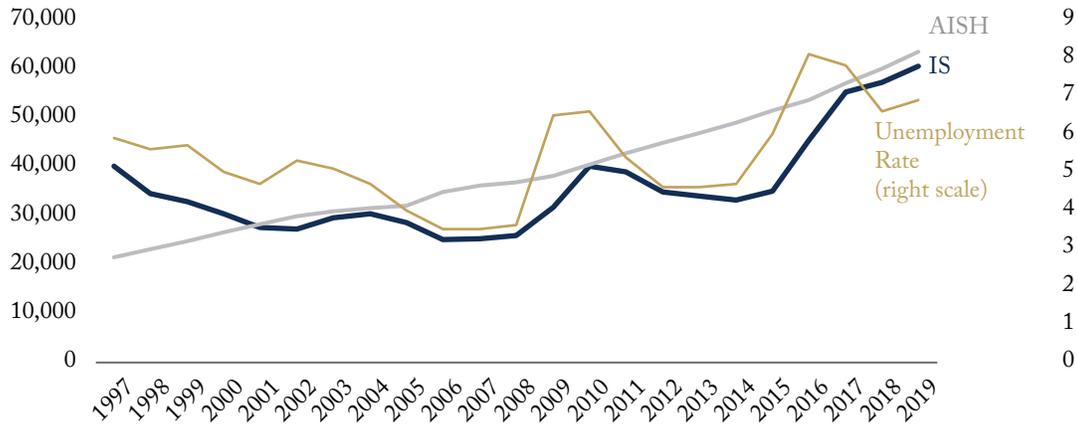
Many factors contribute to AISH growth, including those related to program design and socioeconomic conditions. Clearly, people with a disability face greater challenges in the labour market to find a job and have a higher unemployment rate compared to those without a disability. Furthermore, persons with disabilities are more likely to live in poverty and require financial support (Stapleton 2013). However, the increase in AISH numbers has no relationship to the province's unemployment rate (Figure 4). Indeed, the poverty rate for persons with a disability in Canada fell from 21.7 percent in 1993 to 12.7 percent in 2010 (Fang and Gunderson 2014). The decline in the poverty rate might, in fact, be related to the increase in the number of cases of social assistance for people with disabilities.

Other factors propelling AISH's growth include reduced stigma and increased awareness of disability programs along with broader recognition and inclusion of mental disorders as a disability (Stapleton 2013). Yet, the significant growth in the number of disability recipients can be related to program failure to effectively assess eligibility and the lack of processes to periodically reassess cases to ensure continuing eligibility (Mahboubi and Ragab 2020). Here, the program's inability to provide partial benefits or assess the severity of disability is to blame. While the reduction of stigma and recognition of mental disorders are commendable, recognizing that not all disabilities are the same and that they impact labour force participation differently will improve outcomes for program participants while reducing cost.

7 Disability criteria for AISH requires that a permanent mental or physical condition be the main factor limiting the ability to earn a living. In contrast, disability criteria for BFE include persistent mental or physical health problems that limits a person's ability to sustain full-time work. A case officer determines disability eligibility and assigns recipients into a program, based on the assessment of a potential recipient's physician.

8 86 percent of AISH recipients are single.

Figure 4: Trends in Social Assistance Cases by Program and Unemployment Rate in Alberta, 1997-2019



Source: Maytree (2020) and Statistics Canada, Table 14100327.

Among individuals who meet social assistance financial requirements, the incentive to be on AISH, compared to the BFE, is higher since it provides more generous income support and is more lenient in terms of expectation to tackle employability barriers. However, close to 9 percent of BFE recipients are reported to have a severe disability, highlighting a selection issue for program entry, likely due to a lack of clarity on disability definition and requirements for these two programs. Evidence shows that Alberta's social assistance programs, particularly AISH, do not include ongoing eligibility review (Office of the Auditor General of Alberta 2019, Government of Alberta 2020). While AISH requires a permanent condition, it does not consider that the severity or manageability of this condition and its effects

on quality of life can vary significantly over time. Therefore, it is important to better tailor social assistance to the individual's needs.

Unlike AISH, the number of IS caseloads has historically, until recently, been strongly correlated with the unemployment rate. That correlation might, in part, be related to the requirement for developing a Service Plan. Indeed, despite a sharp reduction in unemployment rates after 2016, the number of IS recipients has continued to increase.⁹ The 2019 Alberta Auditor General report revealed a potential explanation for this increase as it shows that many recipients lacked comprehensive Service Plans between 2016 and 2018 or follow-ups. In particular, a representative sample of claimant files showed that nearly one-quarter (22 percent) of ETW cases and half of BFE cases had no

⁹ The positive correlation between the unemployment rate and IS cases since 1997 is the highest after a one-year-lag, whether in all industries or oil and gas industry only. Therefore, the recent trend in IS cases can be an indicative of an issue with the program.

comprehensive Service Plans. Without a clear plan on which programs or services to use, BFE clients are not able to tackle their barriers to employment and leave the program. Furthermore, nearly half (48 percent) of both ETW and BFE recipients had no recorded follow-up on one or more plan items.

Different from many other provincial social assistance programs such as Ontario Works, Alberta’s IS scheme does not require all claimants to participate in employment and training programs. In 2019, only about 16 percent of IS caseloads participated in the province’s Career and Employment Information Services (CEIS) job program – a share that has been similar to or slightly lower than in the past (Table 2). Interestingly, the participation rate of recipients with barriers to employment is significantly less than that of those expected to work. This may explain why only 17.7 percent of BFE claimants were employed or self-employed three months after leaving the program compared to 54.1 percent of ETW clients. Research shows that requiring or encouraging participation in certain activities that lead to skills development plays an important role in improving labour-market outcomes of welfare recipients. However, the best approach is a hybrid system that considers the requirement for education and training activities along with job-seeking tasks based on individual needs (Hamilton 2016).

Therefore, addressing overall caseload growth requires both improvements in the case-assessment process as well as in the eligibility criteria, along with ensuring ongoing reviews of case files. In addition to addressing these administrative issues, Alberta needs to ensure that recipients, regardless of disability, have access to appropriate support to increase their labour market attachment and to reduce work disincentives.

In particular, three factors can have a significant impact on recipients’ decision to seek employment and get off social assistance: clawback rates, earnings exemptions and supplementary benefits (Mahboubi and Ragab 2020). The earnings

Table 2: Income Support Clients with Career and Employment Information Services

Year	Percentage of Caseloads with CEIS by program		
	ETW	BFE	Total
2012	19.8	8.0	16.3
2013	21.3	9.0	18.0
2014	20.4	8.9	17.5
2015	19.4	8.6	17.0
2016	18.6	8.0	16.7
2017	18.6	7.8	16.8
2018	17.8	7.3	16.1
2019	17.8	6.9	16.2

Source: Data are from the Work Outcomes Reporting Project survey, provided by the government of Alberta.

exemption is the amount that employed recipients can earn without having any impact on their social assistance benefits and the clawback rate is the amount of social assistance benefits that is deducted for each dollar of income earned above the exemption. These mechanisms are in place to create work incentives for recipients, but as we discuss later, Alberta’s high clawback rates and low earnings exemptions can defeat the purpose (Table 3).

IDENTIFYING APPROACHES FOR REFORM AND BEST PRACTICES

The focus of this *Commentary* is to improve the effectiveness of Alberta’s social assistance programs in getting people off welfare and ensuring the programs’ sustainability, accountability and integrity. Improving eligibility criteria and assessment processes, shifting the focus in disability support programs from the inability to work to the ability to work, increasing work incentives and labour-market attachment, and safeguarding the program against any potential fraud and errors are required to achieve these goals. The following sections provide

insights into potential improvements based on international experiences.

Approaches to Disability

People with disabilities often face unique barriers to employment that can alienate them from the workforce or reduce their feelings of contribution to society. As such, it is integral to have effective, specialized social assistance programs for individuals with disabilities that can improve their labour-market outcomes, thereby improving their mental health, quality of life and sense of contribution to society (Sardá et al. 2009, OECD 2010). Research has shown links between rates of depression and unemployment among disabled people, and links between a sense of self-efficacy and unemployment (Sardá et al. 2009, Gauthier et al. 2006).

Although social assistance programs for people with disabilities are the last resort in Canada – more generous programs like CPP-disability, worker’s compensation benefits and private/workplace insurance exist – it is still very important to develop programs that support individuals with disabilities while enhancing and understanding their capacity to work. This is critical to supporting this vulnerable group while also enabling their labour-market development, as well as assessing and enhancing their capacity to work. This is exceptionally helpful to individuals with partial disabilities who may not qualify for other programs but continue to face significant barriers to employment.

There are many important factors to consider when assessing individual disabilities and their impact on labour-market participation. Age, previous work experience, education, and type and severity of disability all play a critical role in predicting an individual’s labour market trajectory and the barriers to employment (Sardá et al. 2009, OECD 2010, Deshpande 2014). It is important to recognize that the capability of people to work with even a severe disability exists on a spectrum.

Table 3: Alberta Monthly Eligible Social Assistance Amounts by Program

	Income Support		AISH
	ETW	BEF	
Single Person*	\$745	\$866	\$1,685
Earnings Exemption Level	\$230	\$230	\$1,072
Clawback Rate	75%	75%	50% (next \$937), then 100%

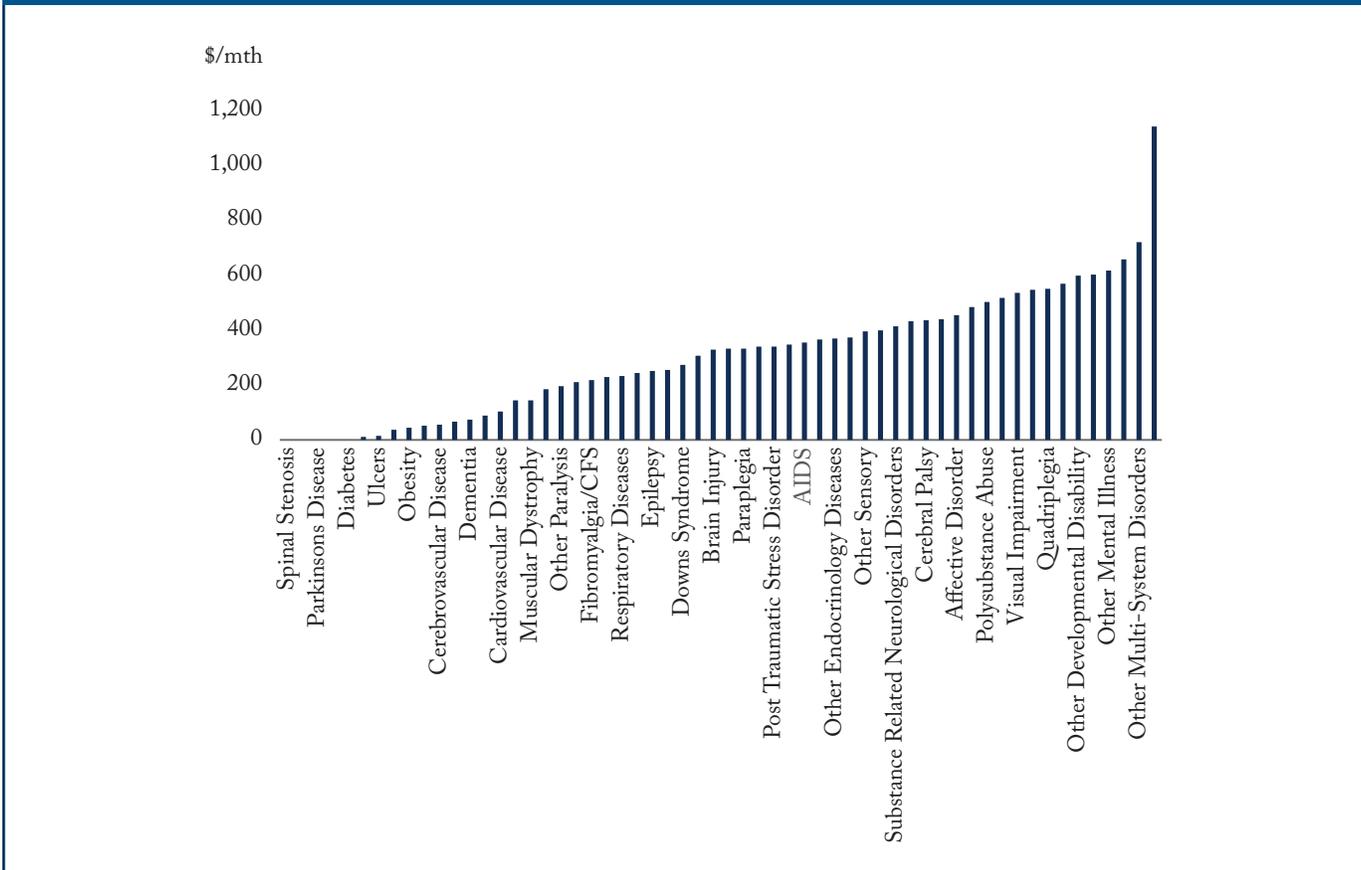
* The poverty line in 2016 for a single household was \$22,133 per year or \$1,844 per month, according to the Statistics Canada low-income measure threshold after tax.

Source: Alberta government.

For example, the median employment income of AISH clients varies by disability type (See Figure 5). Furthermore, removing recipients from social assistance programs without providing them with the necessary support is not an option and can result in negative consequences. Indeed, a US study done on low-income youth removed from disability insurance found little earnings growth and, as a result, a significant drop in lifetime income (Deshpande 2016). As such, the approach taken must be sensitive to a disability’s various elements and its complex relationship with the labour market. As such, several approaches have emerged internationally to support capacity-based social assistance for individuals with disabilities.

The structural capacity approach requires identification of an individual’s skills “inventory” in order to shift the focus from the inability to the ability to work. For example, the Netherlands has established such a system with a strong reliance on labour-market data. The functional requirements of 7,000 jobs are analyzed and compared to a claimant’s profile. The jobs represent 20 percent of the nation’s labour categories and are weighted toward “lower-level” or more physical occupations, as they typically create greater challenges for

Figure 5: Median Employment Income of AISH Recipients by Disability Type, February 2020



Note: The sample only includes recipients' employment income higher than zero. This sample is only 14 percent of AISH caseload.

Source: Client data on Income Employment, provided by the government of Alberta.

individuals with disabilities. Then, the assessment of a disability benefit is based on the individual's loss of income between their previous occupation and earning potential as calculated by the skills inventory and sample occupations.

This system has also been partially adopted in the US, where a claimant's medical condition is compared to a list of accepted medical conditions. If the claimant's condition is not on the list, his/her functional capacity is assessed and compared to the labour market's demands. A claimant's application is then either approved or they are provided with a list of three occupations that might be suitable for their functional capacity and skills. The assessment is conducted by a review board, which is composed

of both medical professionals and caseworkers. This approach is widely regarded as providing the closest possible approximation of a disability's cost as a function of the labour market, but it requires a large upfront investment to identify and assess the job profiles.

However, unlike the Netherlands program, this US structural capacity example lacks critical supports like training and job search support that enhance the applicant's ability to participate in the market, while these systems provide a very useful tool in assessing the labour-market outcomes of a person with a disability, they face criticism over lack of transparency and over their ability to evolve as occupations change. These systems also

predominantly focus on physical incapacity instead of other disabilities (Geiger et al. 2018).

A second assessment model is the direct approach. Unlike the structural capacity model, which relies on a profile to predict labour-market success and capacity to work, the assessment approach directly evaluates an applicant's ability to work. In Denmark, for example, an individual's residual capacity to work is identified and if they are found to have any such ability, they are expected to search for employment. For the next one to five years, they are placed on a rehabilitation plan, unless they were found to have no capacity to participate in the labour market.

This analysis considers other factors, including how long the claimant has been out of work, and the claimant's prior employment history. The system is unique in that it focuses on rehabilitation as a predecessor to benefits, not as an afterthought or secondary goal. It also considers additional factors that can affect labour-market attachment, which makes it a more holistic approach overall. Many countries employ this tactic, with elements of the rehabilitation-before-benefits approach in place in Germany, Australia and even for Canada's federal disability pension.

However, this rehabilitation approach is not without its criticisms. Various experts have pointed out that many rehabilitation efforts are costly and fruitless, especially in cases where there is an almost complete loss of capacity to work (Geiger et al. 2018). Similarly, requiring claimants to prove they cannot work by attempting to work is often viewed as contradictory, reducing claimant motivation to re-integrate and overall trust in the system (OECD 2010, Geiger et al. 2018).

A final noteworthy disability support model has emerged in Sweden in the past decade. It is based on two key unique approaches: a focus on a personal incentive to work and a timed, capacity-based benefit. By providing very high earnings exemptions and a generous clawback rate (no amount is clawed back until the recipient has

earned their full disability allowance), Sweden's system provides disability claimants with a high incentive to return to work. This means that unlike the annual exemption currently in place under most existing programs, including both BFE and AISH, claimants continue to receive their full benefit until they have earned the equivalent of all of their disability income, i.e., their income would have to double before any amount is clawed back.

This approach also takes away any risk recipients might incur by guaranteeing a return to full benefits without re-assessment in the event of a change in employment status. Sweden's case is also unique in that it reserves permanent disability benefits for those with a permanent loss in capacity and provides compensation based on the degree of incapacity. Temporary benefits are also unique in their focus on maintaining the claimant's existing standard of life. A final advantage of the Swedish model is its strong ties to labour-market integration – much of disability assistance is tied to the added cost of disability and is not contingent on employment status, thereby encouraging claimants to benefit from employment income in addition to disability supplements. While this program option is more costly, it provides the greatest degree of both financial and program support for individuals experiencing disability, which significantly increases their chances of labour-market re-integration (OECD 2010).

Supplementary Benefits

Social assistance extends beyond simple monetary transfers. Childcare subsidies, housing, medical and other special benefits can also be tied to social assistance. However, there is significant variation in how these benefits are administered and their eligibility criteria across the country and around the world (OECD 2003, Podger and Whiteford 2014).

Recently, many countries have begun to expand the eligibility criteria for supplemental benefits, removing them from social assistance programs.

This trend is an effective way to identify the efforts and needs of working low-income individuals, including single parents, those facing career transformations and other vulnerable groups. Overall, offering these benefits outside the social assistance program provides benefit continuity, improves system fairness and offers a sense of security for individuals as they transition back into the workforce. The most widely adopted example of this help is child benefits, which exist outside the social assistance system in most OECD countries, including Canada. Similarly, disability-cost and housing benefits in Sweden and Germany's housing, health and family benefits all exist outside the social assistance system, with income-tested eligibility criteria (OECD 2003, Swedish Social Insurance Agency website: n.d.).

An extensive example of additional benefits can be found in Australia's social welfare system, where individuals are eligible for a combination of more than 14 available benefits. Most importantly, the benefits are all income-tested, but not dependent on other benefit status. They encompass a wide array of needs and services, including healthcare and housing, in addition to more distinctive benefit categories, like the youth allowance. This wide safety net allows for flexibility and fairness in supporting both benefit recipients and low-income earners, which enables social assistance recipients to more easily transition to the labour market.

This approach's main disadvantage is the significant cost increase in providing these benefits. However, it is an effective way to encourage labour-market re-integration, which can reduce the cost of both primary and supplemental benefits, while income-testing the benefits ensures that the funds are allocated to vulnerable people (Podger and Whiteford 2014). Furthermore, the cost increase is manageable since this approach depends on income cut-offs of the implemented programs. Still, the lag between filing taxes for the previous year and current requirements remains an issue, creating the need for an appeal mechanism. This lag may also

be addressed by using information systems that provide access to real-time income data, which would allow for better targeting of benefits.

Meanwhile, Canada is one of the few OECD countries that do not provide a dedicated housing benefit available to all low-income earners, outside social assistance, but it is moving in that direction. For example, the recent Canada-Ontario Housing Benefit program assists eligible households with housing costs. This represents a step in the right direction and is a path other Canadian provinces, including Alberta, should pursue to better support the transition to work.

A similar area with great variation is prescription drug coverage. In most of Canada, prescription coverage for non-disabled, non-senior adults not on social assistance is optional and highly inefficient, with extremely high deductibles and co-pays. This provides an incentive for workers to remain on social assistance to keep their benefits. However, Quebec, like Germany, Sweden, Australia and many other countries provides an affordable public pharmacare plan, which removes the incentive for individuals to remain on social assistance to afford essential medication (Brandt et al. 2018).

Another issue with supplemental benefits is that they can go unclaimed. In Canada, eligibility for and enrolment in federal benefits like the Canada Workers Benefit is automatically determined based on the previous year's tax filing. Robson and Schwartz (2020) found that individuals below the market basket measure (basic standard of living) were almost twice as likely to be non-filers. Overall, they estimated that the value of unclaimed benefits by non-filers in a single year at more than \$1.7 billion. As such, governments should encourage social assistance recipients to file income taxes in order to claim these benefits by, for example, making tax filing a requirement for social assistance, or at least providing tax filing incentives and support by reducing the cost and knowledge barriers to filing taxes.

Employment Assistance Activities and Incentives to Work

The main indicator of a healthy social safety net is the ability of people to bounce out of the net and into the labour market – for both their financial and emotional well-being. It is a well-established fact that contribution to society in the form of work or volunteerism is a critical component in establishing a sense of communal belonging as well as a sense of personal value (Waenerlund et al. 2014, Van der Noordt et al. 2014). Executed correctly, social assistance programs can contribute not only to a healthier labour market but also to a happier, healthier and more productive population. Keys to this are the incentives for benefit recipients to work and the supports provided to encourage their participation. In this regard, two key elements of social assistance programs should be examined: clawback rates and work requirements/support.

Clawback rates are historically an area regarded as an international failure. In Australia, for example, the clawback rate is 50 percent after only a modest earning exemption (OECD 2012). However, a unique model exists in Sweden where clawback rates apply only on days when the claimant is expected to participate in a labour-market program. For example, if the labour-market program participation is required on Mondays, Wednesdays and Fridays, participants would face no clawback rate on employment earnings on Tuesday, Thursday, Saturday and Sunday (Swedish Social Insurance Agency n.d.). This unique design allows participants the flexibility to work part-time while they seek full-time employment or to more slowly “ease” themselves into the labour force following an extended absence. As a result, it improves labour force participation (Christofides 2000). This is similar to Quebec’s tax shield model. In that province, several fiscal benefits are shielded from clawbacks in the first year when employment income jumps, which allows social assistance recipients to maintain their standard of living during that first year. It also provides them with a strong

incentive to work more or rejoin the labour force.

Another critical component of the transition back to work is employment assistance activities or labour-market programs. These schemes provide social assistance recipients with the tools they need to return to the labour force, but they vary significantly in design and type of activity. Some are passive, like implementing job search requirements for participants and tracking their progress, while others subsidize full or part-time work, or provide access to training and development opportunities. They all involve a trade-off between, on the one hand, incentivizing and reducing barriers to, on the other hand, accessing employment and placing burdensome or excessive restrictions that can hinder labour-market access. For example, many work or job search requirements do not provide a link to better labour-market outcomes but can take up valuable time that could be used seeking employment or developing related skills. However, some requirements are essential to offsetting complacency and encouraging participation.

An example of effective work requirements exists in Sweden where claimants are required to participate in a structured activation program, allowing them to gain necessary skills and experience for future labour-market success (Swedish Social Insurance Agency n.d.). A similar program structure exists in Germany, where participants are required to follow a personalized plan that involves any combination of an activation program and additional job search and training (OECD 2003). These personalized plans are particularly successful because they provide the recipient with the training, experience or job-seeking opportunities needed to enable their success, as opposed to forcing them to seek these opportunities themselves.

An activation program is typically a combination of job placement and skills training, with a focus on practical labour-market skills. In Spain, studies have found that subsidizing short stints of part-time work can improve access to full-time work for those unemployed for long-term periods

(Kyyrä and García-Serrano 2019). In Norway, extensive research and analysis into a variety of combinations of labour-market programs indicate that the most effective combination involves skills training, job search support and some variation of wage subsidy or hiring incentive. Researchers also found that temporary employment measures do not have the same effects as subsidies or long-term placements (Lorentzen and Dahl 2005). Ronson and Skardhamar (2009) also found that active labour-market programs can be an integral tool in breaking employment barriers among disadvantaged or underperforming groups in the labour market.

While financial incentives and effective labour-market programs improve employment outcomes, research suggests that financial sanctions for non-compliance do not. For example, the US Temporary Assistance for Needy Families program showed a statistically significant reduction in employment earnings for participants who were sanctioned through the loss of income one or more times throughout the year. Interestingly, this reduction is greater for claimants with higher educational levels, despite the fact they have the greatest incentive and ability to re-enter the labour market (Fording et al. 2013).

Marginal Effective Tax Rates and Understanding Behaviour

While access and non-financial incentives are the basis of an individual's decision to pursue employment, a financial incentive to work is also an essential component of an individual's decision matrix. However, in Alberta both individuals with and without disabilities face counter-productive tax rates. As mentioned above, a contributing factor is high clawback rates, but low exemption thresholds further reduce the value of work. Figure 6 shows the high marginal effective tax rates (METRs) faced by single individuals in Alberta's IS and AISH programs. As seen here, participants face METR rates as high as 133 percent, which provides a clear disincentive to work. This means a worker

can lose 133 percent of an additional dollar earned above a certain amount (e.g., \$24,000 for those on AISH). For their part, more than 86 percent of AISH recipients (about 59,500 clients) earned no employment income in February 2020. Among those with an employment income, almost no AISH recipients earned an income level with a METR higher than zero (Figure 7), suggesting that high METRs may play a role in employment decisions.

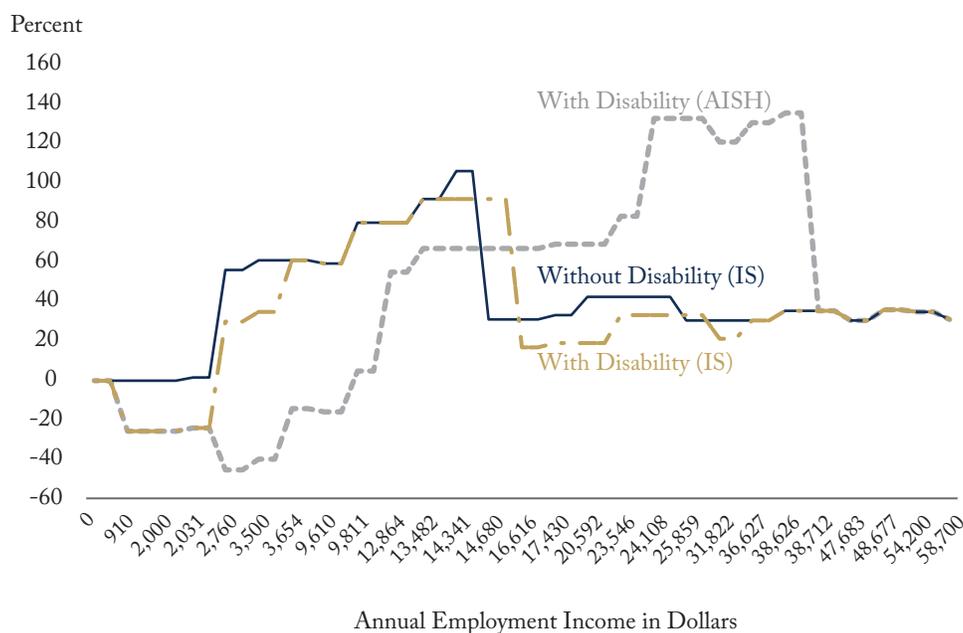
In order to show the effect of a change in the clawback rate and income exemption on the METR for a person in Alberta by disability status, we ran several scenarios and compared the results (see Appendix). These exercises highlight the important role a lower clawback rate has on reducing the METR.

Another very effective strategy regarding employment decisions is welfare-to-work benefits. Welfare-to-work benefits reverse the METR problem by rewarding low-income workers for increasing their earnings or hours worked, counteracting the effects of high clawbacks.

The most prominent example of such a benefit is the US Earned Income Tax Credit (EITC), which has been lauded as a massive success in supporting an increase in labour-force participation among low-income workers. Studies have found that increased EITC funding significantly increased both employment and earnings for low-income lone parents (Herwig 2009). Meanwhile, in a UK evaluation of work incentives by demographic, Brewer (2017) found that single parents face the lowest incentives, so programs like the EITC are useful in reversing this trend, especially given its generous income threshold for filers with children. Similarly, the lower success rate for low-income workers without children is likely due to the much lower income eligibility threshold. This demonstrates the importance of identifying the most effective phase-out rate structure for welfare-to-work programs.

The equivalent of the EITC in Canada is the Canada Workers Benefits (CWB), formerly known as the working income tax benefit. The government

Figure 6: Marginal Effective Tax Rates for a Single Person by Disability Status and Program on Annual Employment Income



Source: Authors' calculations using Statistics Canada's SPSPD/M, v.28.0.

introduced that benefit in 2007 and replaced it with the CWB in 2019 to ensure greater labour-market attachments through easier access, a higher benefit, a lower clawback rate and a higher income threshold to include more families. Estimates in Figure 5 include the CWB.

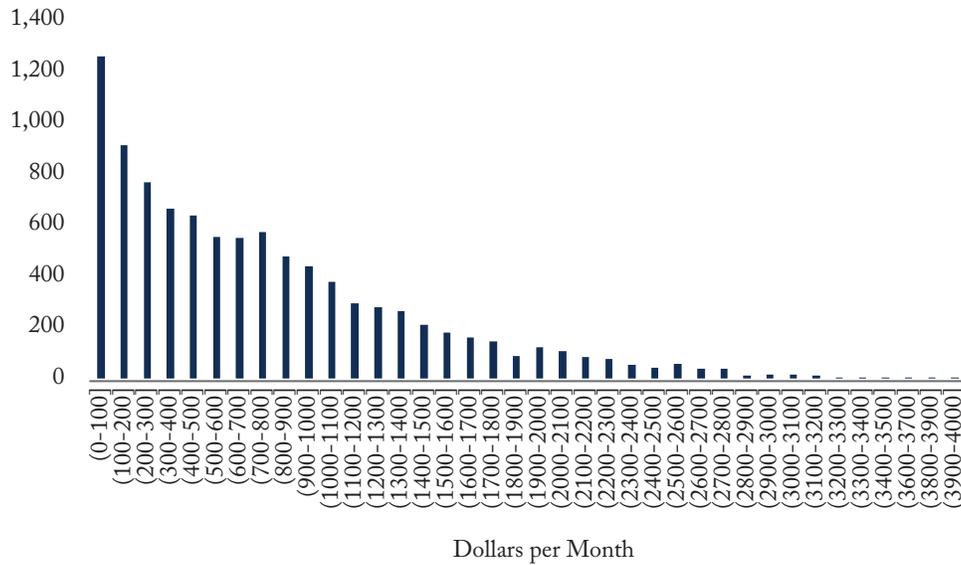
Successful in-work benefit programs also exist in Belgium, Italy, Sweden and Poland. Vandelannoote and Verbist (2020) found that individuals, more than households, were highly responsive to such programs. However, the caveat is that the success of these programs depends largely on the labour supply elasticity for low-income individuals in the implementing country. As a result, they are more successful in Belgium and Sweden than in Poland. The researchers also identified that phase-out based on an income threshold is most effective for household-level programs, while tapering-in

programs based on hours worked (which also phase out with income) provides stronger incentives for individual-based programs. This speaks to the effects of labour elasticity, both in terms of participation and hours worked, and on program design and effectiveness (Liebman 1998).

Social Assistance Fraud and Error

Although Alberta lacks documented evidence or data on fraud and errors, it is important to design a social assistance program that takes them into consideration. Social assistance fraud is defined as "intentional behaviours of the benefit claimant to defraud the benefit system (Van Stolk and Tesliuc 2010). It occurs when an ineligible person intentionally makes a false statement, provides misleading evidence or conceals information to receive assistance. One form of welfare fraud is

Figure 7: AISH Recipients by Income Range, February 2020



Note: Less than 14 percent of AISH recipients reported an employment income higher than zero.

Source: Authors' calculations using data from the Government of Alberta.

undeclared employment income, since income determines eligibility as well as the benefit amount. In case of disability support programs such as the AISH, falsely claiming a disability, exacerbating symptoms or misrepresenting one's ability to work to receive benefits are potential fraudulent behaviours.¹⁰ They may even involve the help of a medical practitioner. People who intentionally cheat the system and commit a fraud not only affect the support those truly in need should receive, but also impose a burden on taxpayers and weaken the integrity of the social assistance program.

Conversely, errors in the social assistance programs can happen when an ineligible person unintentionally receives social assistance for

reasons such as lack of clarity around eligibility requirements and expectations, a caseworker's inability to determine correctly a client's eligibility or a physician inaccurately diagnosing a patient's disability.

No social assistance program is immune to fraud and errors, but their prevalence depends greatly on counteracting government initiatives. A 2012 estimate for selected OECD countries, including Canada, pegs overpayments at 2 percent to 5 percent of welfare expenditure due to fraud and errors (Stolk and Tesliuc 2010, New Zealand Ministry of Social Development 2012). However, some fraud-like unreported cash-in-hand earnings are likely impossible to detect (Dean and Melrose

10 As discussed earlier, persons with a disability are financially far better off if they qualify for AISH than for BFE.

1996) and, therefore, to estimate overpayments associated with it.

Fraud, once detected, can result in assistance repayments, reduced payments, permanent or temporary bans of benefits and criminal charges. Research from the UK identifies several factors that lead to fraud and errors:

- complexity of the welfare system;
- lack of internal systems (e.g., suitable IT system);
- absence of staff support and resources;
- perceived weakness of the consequences (e.g., sanctions and punishments); and
- social norms and beliefs.

The UK anti-fraud experience demonstrates a best international practice. Its 1997 implementation of a comprehensive strategy led to a 50-percent reduction in welfare fraud over the next decade. Based on the UK experience and evidence from other developed countries over time, Stolk and Tesliuc (2010) offer a strategy for tackling error, fraud and corruption built on four main principles: prevention, detection, deterrence and monitoring. Each element includes various types of interventions and actions to reduce fraud (see Table 4).

Alberta's anti-fraud initiatives currently include some common actions such as gathering information from the public and a telephone hotline for reporting scams, but more can be done to ensure the integrity of its social assistance programs. First, the government should clarify disability eligibility criteria. This would help caseworkers and recipients to clearly distinguish the difference in disability requirements of AISH and BFE and prevent fraud and errors. An even more effective approach is to have a single specific program for persons with disabilities, regardless of severity, and provide support based on recipients' needs and remaining capability to work (i.e., the Denmark approach). Second, the government should conduct thorough and independent reviews of cases to ensure that they meet all requirements and recipients receive appropriate support to improve their labour-market attachment.

Other studies identify high METRs on labour earnings and generous social assistance rules as contributing factors to fraud. Furthermore, growth of a social assistance system, rather than its size, influences social norms and increases the incidence of fraud (Heinemann 2007, Lindbeck 2008, Lindbeck and Nyberg 2006, Lindbeck, Nyberg and Weibull 1999). This is particularly important for Alberta as it has experienced the largest provincial growth in the number of social assistance beneficiaries since 1997. To encourage reporting of earnings while on social assistance, Alberta needs to reduce the cost of working by reducing the clawback rate and increasing the IS income exemption.

Disability Misdiagnosis

Social assistance programs such as AISH that provide financial support to persons with disabilities require a physician to diagnose the disability and evaluate its severity. However, diagnostic errors are still possible.

Misdiagnosis by a medical professional can be intentional or unintentional. Although unintentional disability misdiagnosis is not fraud, it still can lead to a false claim that is costly for governments, taxpayers as well as recipients in cases that prevent them from accessing appropriate support. It is essential for medical practitioners to understand the functional limitations and needs associated with a disability and the risks and penalties associated with a deliberate misdiagnosis.

Prevalence of misdiagnosis is common among both mental and physical illnesses. However, the incidence of misdiagnosis is highest among some mental disorders such as attention-deficit/hyperactivity disorder (ADHD), depression and bipolarity. Historical evidence shows that incidences of physical illnesses that were falsely diagnosed as mental illnesses (Hall et al. 1978, Sternberg 1986).

Inaccurate diagnosis occurs for various reasons. These include a physician's failure to completely

Table 4: Summary of Recommendations to tackle Error, Fraud and Corruption (EFC)

Outcomes	Actions taken	Result	Remark
Prevention	Fraud-proof program design and operational aspects of program	Considering EFC control upfront in the program design stage when setting out the eligibility and administrative procedures reduces the risk of EFC to the program	Considerations for controlling error might be different than those for fraud and corruption – for instance error might call for simpler administration while fraud and corruption might ask for more administrative steps around verification – considering risks and such trade-offs upfront is important – this speaks to achieving a balance between placing a proportionate burden on the administration and quality assurance
	Make payments directly to bank accounts instead of by check or cash	Making payments more directly to applicants cuts out important opportunities for EFC to occur	It reduces the chance of corruption as few officials are handling the money or are involved in transferring the funds – it also reduces the chance of error as the payment process tends to be simple
	IT systems	Adequate IT systems allow for the easy cross-checking of data enabling staff to find fraud at the outset of a claim (requires unique identifier number) IT systems also reduce human error in processing	Investments in IT are seen in most OECD countries as critically important in raising the effectiveness of prevention and detection initiatives
	Clear allocation of institutional responsibilities	Division of administrative responsibilities (monitoring, payment and processing of benefit) is good practice to reduce the risk of EFC in most OECD countries	There can be a trade-off between separating responsibilities and reducing administrative complexity – this speaks to considerations around institutional design
	Setting up proportionate administrative procedures	A complex or multi-tiered administration might increase the risk and opportunity of EFC occurring	
	Guidance	Most staff in OECD countries operate according to clear job descriptions and standard operating procedures to minimise error	Clear guidance gives clarity on the responsibilities of staff as well
	Staff training	Ensuring that staff is trained to an appropriate standard is important in reducing error	In Canada, staff training was seen one key components of reducing error in benefit administration
	Resources	Ensuring staff have appropriate resources and are reimbursed for travel expenses can reduce error and indeed corruption	Proper resourcing in some of the missions would enable staff to their work better (e.g. detection), but also reduced the incentive to misappropriate
	Checks at outset of claim	Fraud, error, and corruption are harder and more costly to detect during the claim compared to identifying it at the outset of the claim	The UK administration is focusing more resources in the current economic crisis to prevent fraud from coming in the system
	Information campaigns	Making the public aware of the rules and obligations of the program and the issue of EFC in social protection can prevent EFC occurring	Social control, transparency, and accountability are critical elements in any social protection program

Table 4: Continued

Outcomes	Actions taken	Result	Remark
Detection	Data matching	Comparing data held across a variety data sources is highly cost-effective at detecting cases of suspected fraud and corruption	Typically, a strategy will have a variety of ways to create referrals for further investigation including data-matching and wider intelligence gathering
	Intelligence	Gathering information from the public (tip-offs), telephone hotline for reporting fraud, automatic flags from Management Information System (MIS), and staff intelligence are critical in producing referrals for further referral	
	Investigation	Random or time-based reviews (controls of the accuracy of the information provided to the program and of the decisions made by staff) are necessary aspects in detecting EFC	Some social security agencies solely investigate referrals – others supplement these reviews by random or time based reviews
	Risk profiling	Risk-based assessments to organise reviews (e.g. select client investigations) using scoring or profiling are particularly cost-effective in detecting fraud	Some social security agencies target their scarce administrative resources by profiling (professions or population groups) or by scoring the referrals that they receive - this is seen as good practice
	Joint operations with other agencies	Information exchange and joint investigations are useful in detecting and investigating organised crime and high-level fraud and corruption	Joint working remains a challenge even for well-developed administrations, but cases in Australia where information exchange occurs show positive results
Deterrence	Sanctions Prosecutions Confiscation of assets	Applying appropriate sanctions consistently serves as an important deterrent for those considering engaging in fraud and corruption	Deterrence is an important complement to prevention – enforcement requires clear definitions on what EFC are, a supportive legislative framework, and appropriate sanctions for each possible case of EFC
	Measures to influence public attitudes, such as public awareness campaigns	See similar point earlier on prevention	
Monitoring	Regular measurement of the level of EFC	Understanding the overall problem of EFC and particular risks to the program is of critical importance in organising reviews of cases and understanding the effectiveness of the entire strategy	Globally, social security administrations are measuring more rather than less –this speaks to designing the appropriate management information system

Source: Table 1 in Stolk and Tesliuc (2010).

obtain¹¹ or review the medical history of a patient, to order appropriate diagnostic tests, to correctly interpret test results (Naugler and Wyonch 2019) or to spend sufficient time with patient. Other potential causes are related to undeveloped and unrefined skills, the limits of professional knowledge or poor professional judgment.

Intentional misdiagnosis can also occur. However, in Alberta physicians have no financial incentives to intentionally make a false disability diagnosis as the public plan covers the fee for their service, but their judgment on the degree of impairment might be overestimated to ensure a client receives appropriate support. In addition, physicians' disability diagnosis might be influenced by diagnostic information from specialists such as psychologists who may have a financial incentive to misdiagnose due to billing patients directly.

Sufficient time spent with a patient is particularly crucial not only for accurately diagnosing a disability problem, but also for understanding the needs of a patient with a disability. Physicians who know their patients well can fill in the application form better and provide more concrete information. Evidence shows that some AISH applicants submit an incomplete application since their physician does not have enough knowledge of their condition. Such lack of familiarity can increase the risk of misdiagnosis and incomplete applications that are more likely to be rejected, creating a barrier to receiving necessary support (Office of the Auditor General of Alberta 2016).

Some strategies that help reduce diagnostic errors include enhancing diagnosis skills, reforming the malpractice and compensation systems to eliminate financial incentives to commit fraud, and prompting teamwork and collaboration among healthcare professionals to improve the performance outcomes of diagnostic processes

(National Academies of Sciences, Engineering and Medicine 2015, Baylor College of Medicine 2016). Although not all of these recommendations are practical, those on strengthening teamwork and collaboration can provide some guidance into reducing potential disability misdiagnosis.

The diagnosis of a patient's health can involve various types of healthcare professionals such as specialists, potentially leading to disagreements. As well, inadequate communication and collaboration can contribute to misdiagnosis (Baker et al. 2006, CRICO 2014, Dingley et al. 2008, Singh et al. 2008). The risk of diagnosis error increases when a physician fails to seek a specialist's opinion.

To reduce the risk of any potential misdiagnosis and fraud, social assistance applications should be reviewed by, and be subject to approval of, a team of independent physicians and specialists, depending on an applicant's health problem.

CONCLUSION

The number of people on social assistance relative to the working age population, as a measurement of social assistance dependency, can be indicative of an economy's overall health. Across provinces, Alberta has recently witnessed the largest growth in the number of recipients relative to its working age population. In addition to putting pressure on the costs of the system that may lead to benefit reductions in real terms, this growth can also affect social norms and contribute to fraud. This *Commentary* highlights several factors that contribute to the social assistance challenges facing Alberta's government and provides policy recommendations garnered from international experience. With a focus on increasing employment incentives and labour-market attachments, the key factors in improving social assistance programs fall into four major areas:

11 A patient's failure to provide a thorough medical history can also contribute to misdiagnosis.

- disability benefits;
- supplementary benefits;
- work requirements and incentives to work; and
- social assistance fraud and errors.

The first major area of social assistance reform is to assess disabled individuals' capability to work while encouraging participation in appropriate employment support. It is important to recognize that disability exists on a spectrum and that employment requirements and supports should be based on an individual's assessed capacity to work. Although such an approach is embedded in BFE, persons with a disability in AISH are left on their own as they are deemed to lack the capacity to make any progress and contribute to the labour market. As a result, AISH is more attractive for persons with a disability.

A single program for all persons with disabilities, assessing their capability to work and developing appropriate Service Plans should be considered. Recipients with a disability also benefit from greater income reliability and supplemental benefits, so lower clawback rates are a necessary, but not a sufficient, condition for encouraging labour-market attachment.

Secondly, in addition to basic social assistance, other financial supports such as the GST/HST credit, provincial tax credits or benefits and federal and provincial child benefits are available to households. Therefore, any reform to the current social assistance regime should consider its interaction with these programs. More importantly, supplemental benefits (such as health and housing) should be offered separately from basic social assistance. The loss of supplemental benefits as employment income grows beyond the eligibility

threshold for social assistance raises the costs of leaving welfare and going to work, creating financial disincentives to labour participation beyond the already high METRs reported in this *Commentary*.

The third important way to improve Alberta's social assistance programs is to increase the desire and ability of people to climb out of the net and into the labour market by providing them with the right tools. The types of activities assigned to beneficiaries based on their needs and program goals matter, but the extent to which a program reduces benefits with employment income also plays a crucial role. In particular, more generous clawback rates and higher earnings exemptions generate more incentives to seek and maintain employment (or reduce the incidence of unreported income) and can generate long-term cost savings as recipients leave the program, or rely less on it. Since work incentive initiatives may have different impacts on different demographics, it is important to identify the most effective phase-out rate structure or individualized rates to increase labour-market attachments. Subsidizing part-time work and/or providing work-experience placements can also help provide social assistance recipients with the skills needed to re-enter the labour market.

Finally, although we are not aware of any meaningful fraud or error in Alberta's social assistance programs, international evidence shows that no social assistance program is immune, and governments should take appropriate steps to protect their social assistance programs. In that regard, the government of Alberta should consider clarifying requirements, particularly in regard to disability requirements, improving the assessment process and periodically reviewing eligibility.

APPENDIX

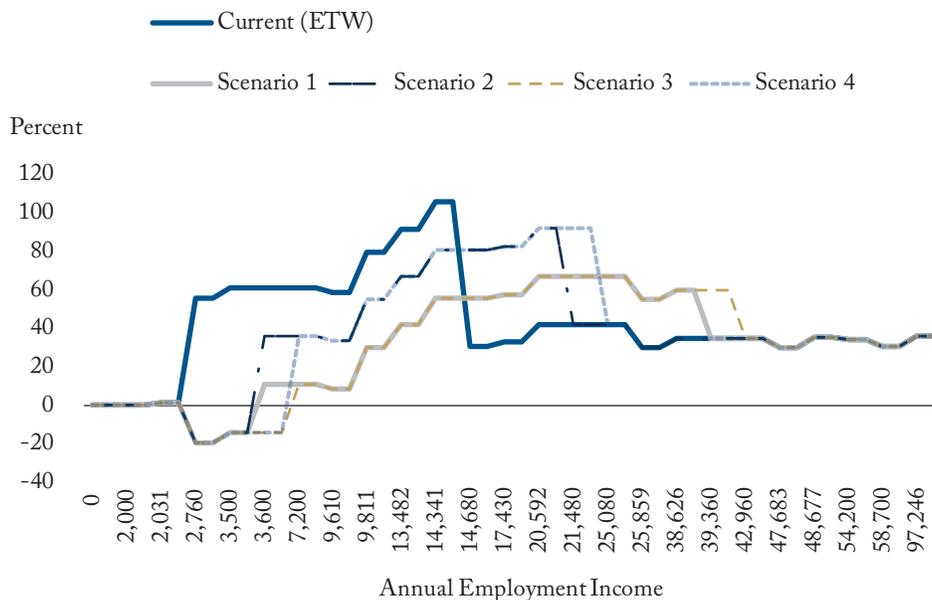
Table A summarizes the assumptions of various scenarios to examine how earnings exemptions and clawback rates can affect METRs and, consequently, a recipient's decision to seek employment and get off social assistance. Figures A1 and A2 compare the METRs for a single person without and with a disability.

Table A: Summary of Scenarios' Assumptions for a Single Person by Disability Status

	Monthly Amount of Social Assistance for a Single Person		Earnings Exemption Level	Clawback Rate
	Without Disability	With Disability		
Scenario 1	\$745	\$1,685	\$300	25%
Scenario 2	\$745	\$1,685	\$300	50%
Scenario 3	\$745	\$1,685	\$600	25%
Scenario 4	\$745	\$1,685	\$600	50%
Scenario 5	N/A	\$1,685	\$900	25%
Scenario 6	N/A	\$1,685	\$900	50%

Source: Authors' assumptions.

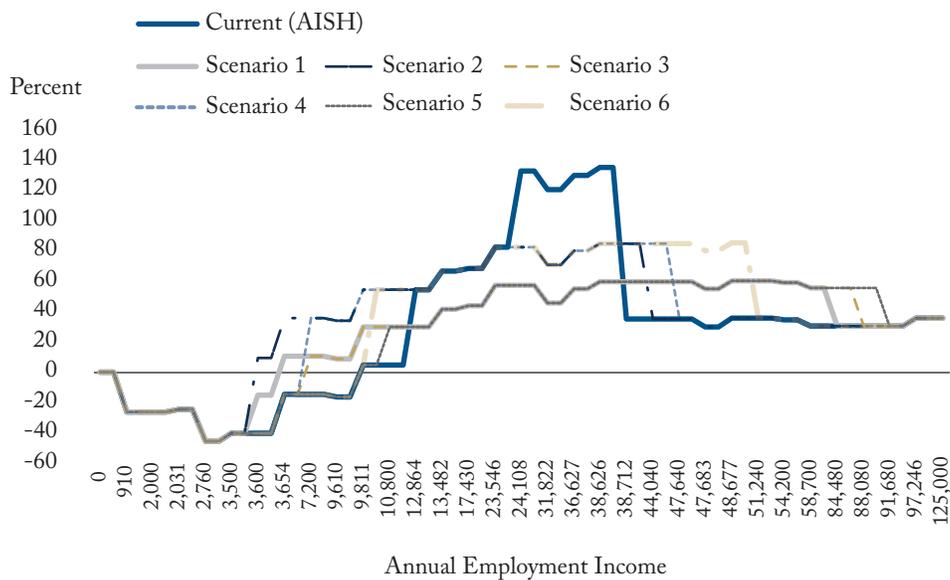
Figure A1: Marginal Effective Tax Rates for a Single Person Without Disability by Scenario



Note: ETW=Expected to Work.

Source: Authors' calculations using Statistics Canada's SPSPD/M, v.28.0 and assumptions in Table A.

Figure A2: Marginal Effective Tax Rates for a Single Person With Disability by Scenario



Note: AISH=Assured Income for the Severely Handicapped.

Source: Authors' calculations using Statistics Canada's SPSPD/M, v.28.0 and assumptions in Table A.

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