



**THE CANADA PENSION PLAN DISABILITY PROGRAM:
STATISTICAL OVERVIEW**

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HIGHLIGHTS

- In the early 1990s the volume of applications for Canada Pension Plan Disability (CPP(D)) benefits increased; however, since 1993-1994 the number of applications has declined steadily.
- The proportion of applications approved in 1990-1991 was 55.7% of all CPP(D) initial decisions in that year. By 2001-2002, the approval rate had dropped to 38.3%.
- While the volume of applications for CPP(D) benefits relative to the size of the labour force is lower today than at the beginning of the 1990s, the relative size of the CPP(D) caseload has increased. The CPP(D) caseload in 2000-2001 – expressed as a percentage of the labour force in 2000 – was almost 30% higher than a decade ago.
- The percentage of benefits awarded at the first level of appeal declined by almost one-half between 1993-1994 and 1995-1996, but has remained relatively stable since. The allowed rate (i.e., the number of decisions in favour of beneficiaries expressed as a percentage of total decisions in a given fiscal year) has increased steadily at the second level of appeal since 1995-1996 and the third level of appeal since 1998-1999.
- In the last decade, the number of female CPP(D) beneficiaries increased significantly. In 1990, women accounted for 31.6% of the total CPP(D) caseload. By 2001, their share of the total caseload was 47.6%, an increase of more than 50%.
- The highest incidence of CPP(D) benefits is found among those who are between 60 and 64 years of age. It is also highest among people with diseases of the musculoskeletal system and connective tissue. The number of CPP(D) beneficiaries with mental disorders exhibited the greatest relative and absolute growth between December 1990 and December 2000, rising from 21,830 to 63,171.
- Total CPP(D) payments peaked in 1994-1995, a somewhat surprising result given that the size of the CPP(D) caseload reached its apex in the following year. CPP(D)'s share of total CPP payments also reached a maximum of 18.7% in 1994-1995 and has since declined steadily to 14.2% in 2000-2001.
- In 2000-2001, CPP(D) beneficiaries received total payments worth \$2,552 million. This was accompanied by children's benefit payments worth \$235.2 million.
- In 2002, the maximum monthly CPP(D) benefit is \$956.05 (or \$11,472.60 per year). Today, the average monthly CPP(D) is about four-fifths of the maximum payment, down significantly from 1993 when the average CPP(D) monthly payment was about 96% of the maximum allowed.



CANADA

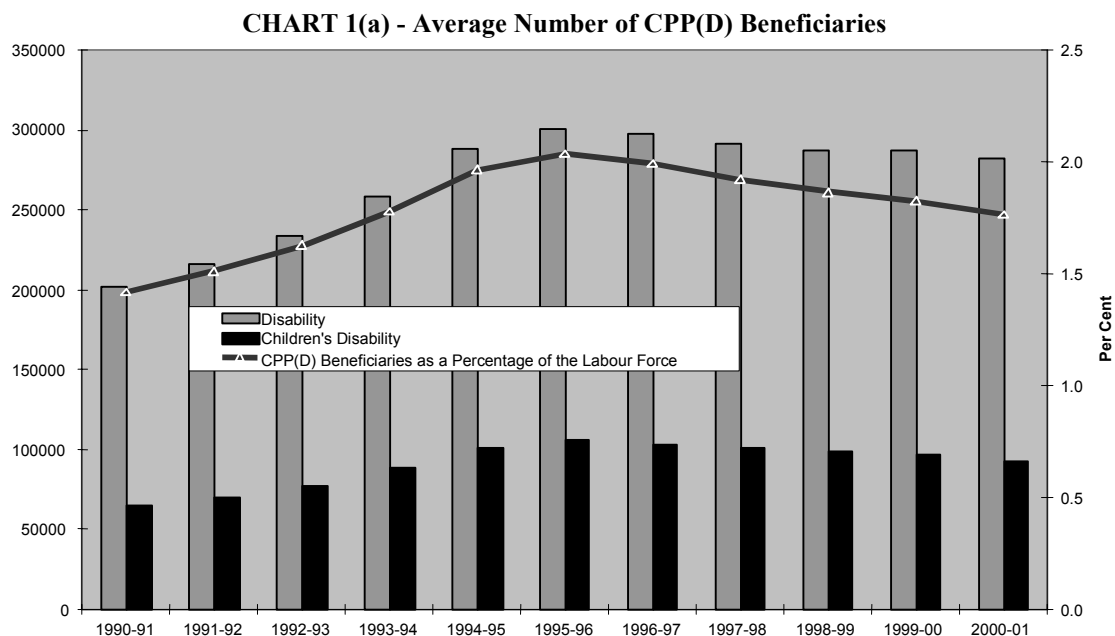
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THE CANADA PENSION PLAN DISABILITY PROGRAM: STATISTICAL OVERVIEW⁽¹⁾

The Canada Pension Plan Disability benefit (CPP(D)) is a vital component of Canada's social security system. Since its inception, hundreds of thousands of disabled Canadian workers and their families have received basic income protection under this program.

Program eligibility, the level of support and a host of other program characteristics have changed since CPP(D)'s inception in 1970. The following presents a brief statistical review of some of these changes since the beginning of the last decade including, among others, trends in caseload, applications, approvals, appeals, benefits and costs.

CASELOAD TRENDS

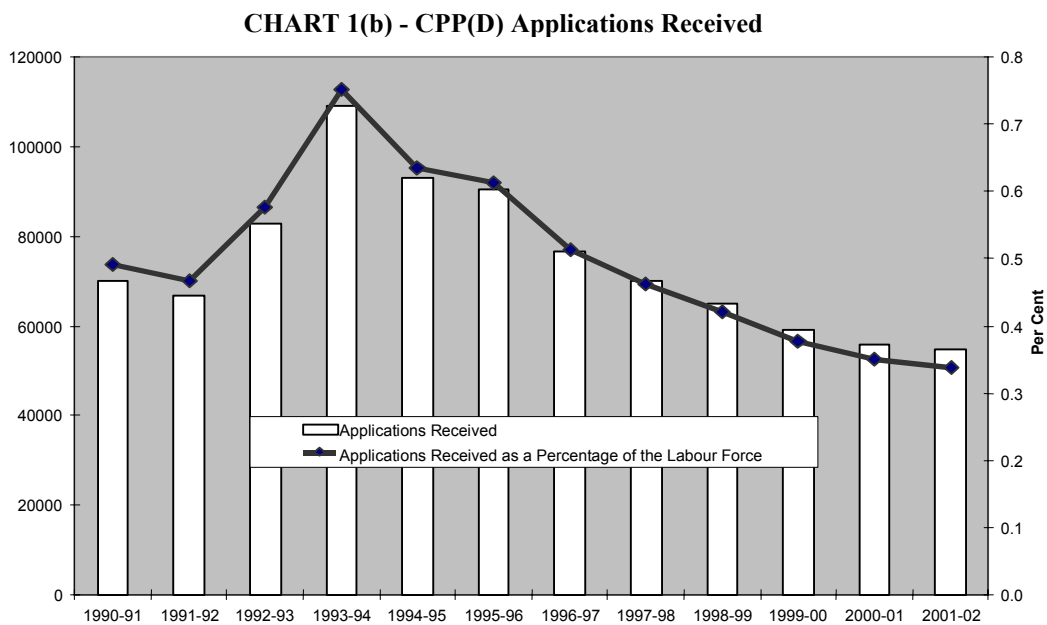


(1) The data used in this statistical overview were primarily provided by Human Resources Development Canada (Canada Pension Plan Disability Policy, Income Security Programs) and the Office of the Commissioner of Review Tribunals. In addition, various Canada Pension Plan Annual Reports were used.

Chart 1(a) shows the CPP(D) caseload since the fiscal year 1990-1991. As indicated, it increased significantly between 1990-1991 and 1995-1996, growing at an average annual rate of 7.8%. Thereafter, it began to decline at an average annual rate of 1.2%, falling from 300,118 beneficiaries in 1995-1996 to 282,111 in 2000-2001. Not surprisingly, a similar trend is found for the number of young individuals receiving the flat-rate children's disability benefit.

Although Chart 1(a) does not give a regional breakdown, more than half of the CPP(D) caseload in January 2001 was in Ontario.⁽²⁾ Atlantic Canada accounted for 16.7%, while Western Canada accounted for 28.1%.

As a proportion of the labour force in 2001, Nova Scotia's CPP(D) caseload in January 2001 was the highest in the country, almost three times higher than that across the nation as a whole. The relative size of the CPP(D) caseload in Atlantic Canada tended to be above the national average, while the opposite was the case for provinces in Western Canada.



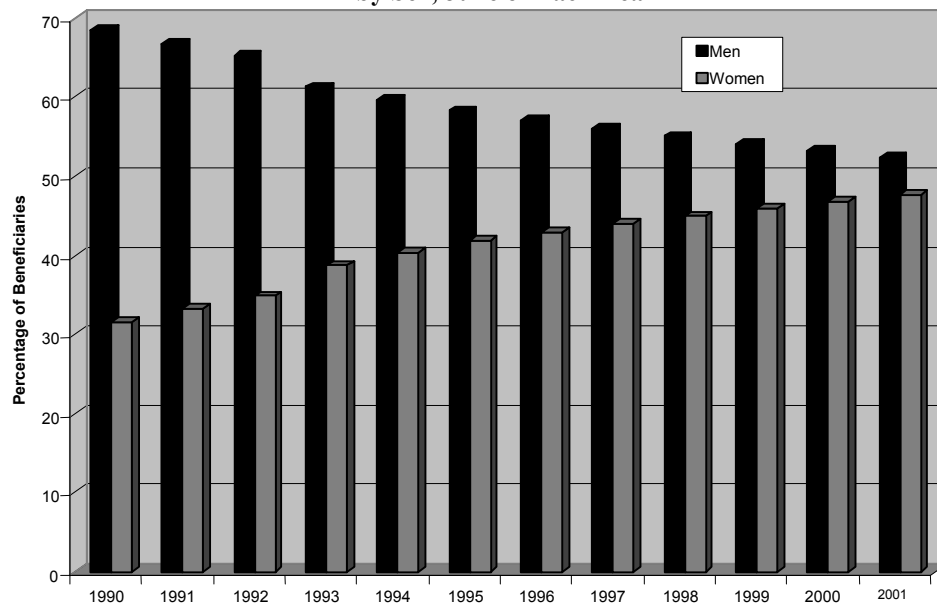
The growth in the CPP(D) caseload during the first half of the 1990s is attributed to a number of factors. These include legislative changes in 1987 and 1992 which expanded disability coverage; rising unemployment; and increased referrals of potential clients from social

(2) Quebec has its own income support program for disabled workers.

assistance and private insurance carriers.⁽³⁾ Other factors, such as new adjudication guidelines emphasizing the medical basis for approval, stricter eligibility conditions and improved labour market conditions, are thought to be key contributors to the declining caseload in the later 1990s and early 2000s. Chart 1(b) shows a steady decrease in the number of CPP(D) applications after 1993-1994.

The volume of applications for CPP(D) relative to the size of the labour force is lower today than at the beginning of the 1990s. The relative size of today's CPP(D) caseload, however, has increased. Despite the reduction in the CPP(D) caseload during the last five fiscal years, the number of CPP(D) beneficiaries in 2000-2001 – expressed as a percentage of the labour force in 2000 – was almost 30% higher than a decade ago. Moreover, the total number of CPP(D) beneficiaries (including children) expressed as a proportion of the total population also increased during this period, and is about 20% higher today than at the beginning of the last decade.

CHART 2(a) - Distribution of Disability Beneficiaries by Sex, June of Each Year



Charts 2(a) and 2(b) depict age/sex characteristics of CPP(D) beneficiaries. Probably the most interesting observation here is the rapid growth in the number of female CPP(D) beneficiaries since 1990, as depicted in Chart 2(a). In 1990, women accounted for

(3) See *Annual Report of the Canada Pension Plan, 1996-97*, p. 31.

31.6% of the total CPP(D) caseload. By 2001, their share of the total caseload was 47.6%, an increase of more than 50%. During the roundtable meeting of the Sub-Committee on the Status of Persons with Disabilities on 21 May 2002, labour force growth among women during this period was cited as an obvious explanation for this phenomenon. While this is undeniably an important factor, it should be noted that women's share of labour force growth between 1990 and 2001 was 57%, well below their 77.6% share of growth in the CPP(D) caseload in the same period.

CHART 2(b) - Distribution of CPP(D) Beneficiaries by Age and Sex, June 2001

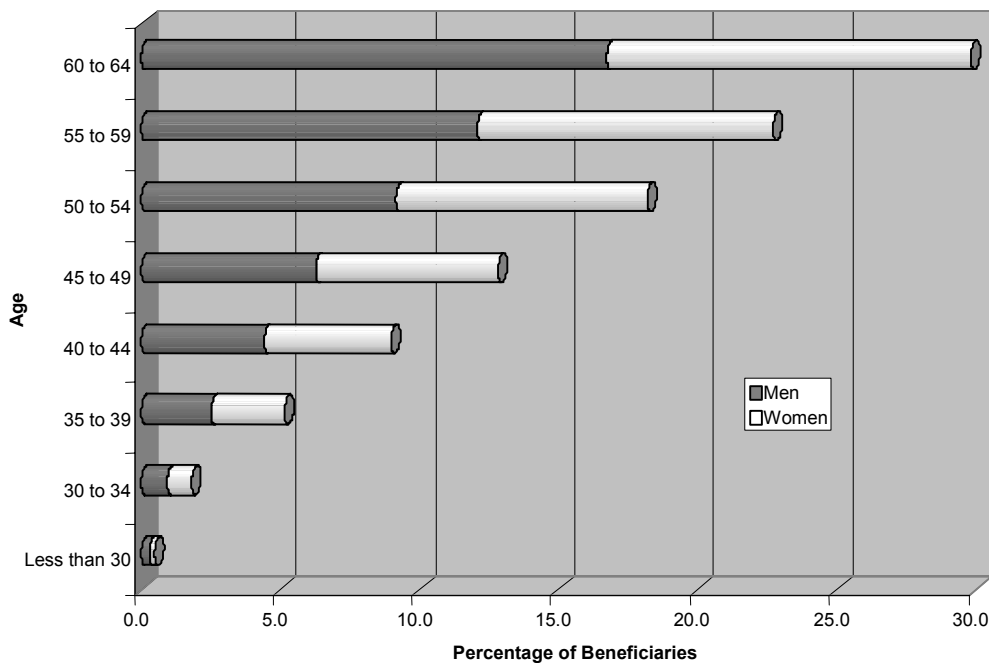


Chart 2(b) shows the distribution of CPP(D) beneficiaries by age and sex as of June 2001. As expected, the proportion of CPP(D) beneficiaries, irrespective of gender, rises with age. In June 2001, the proportion of male and female CPP(D) beneficiaries between the ages of 60 to 64 was 16.8% and 13.1% respectively, the highest of any age group depicted in the chart. Compared to men, women represented a higher proportion of beneficiaries among those aged 35 to 39, 40 to 44 and 45 to 49. Although not illustrated in Chart 2(b), the age distribution of CPP(D) beneficiaries today is skewed more toward younger recipients than in 1990: the percentage of beneficiaries between the ages of 35 and 54 was 45.1% in June 2001, compared to 29.8% in June 1990.

TABLE 1 - Distribution of CPP(D) Beneficiaries by Class of Principal Diagnosis

	December 1990	December 1995	December 2000
Infectious and Parasitic Diseases	1,660	3,473	3,363
Neoplasms	8,820	12,681	12,501
Endocrine/Nutritional/Metabolic Diseases, and Immunity Disorders	5,611	7,768	6,855
Diseases of the Blood and Blood-Forming Organs	253	371	375
Mental Disorders	21,830	48,480	63,171
Diseases of the Nervous System and Sense Organs	16,173	27,500	30,620
Diseases of the Circulatory System	40,019	44,177	32,421
Diseases of the Respiratory System	8,485	9,707	6,936
Diseases of the Digestive System	3,611	5,597	5,713
Diseases of the Genitourinary System	1,401	2,600	2,940
Complications of Pregnancy, Childbirth and Puerperium	49	64	55
Diseases of the Skin and Subcutaneous Tissue	636	876	809
Diseases of the Musculoskeletal System and Connective Tissue	60,992	99,535	79,946
Congenital Anomalies	1,209	1,919	1,962
Certain Conditions Originating in the Perinatal Period	68	101	109
Symptoms, Signs and Ill-Defined Conditions	1,866	3,712	4,346
Injury and Poisoning	15,301	23,847	20,964

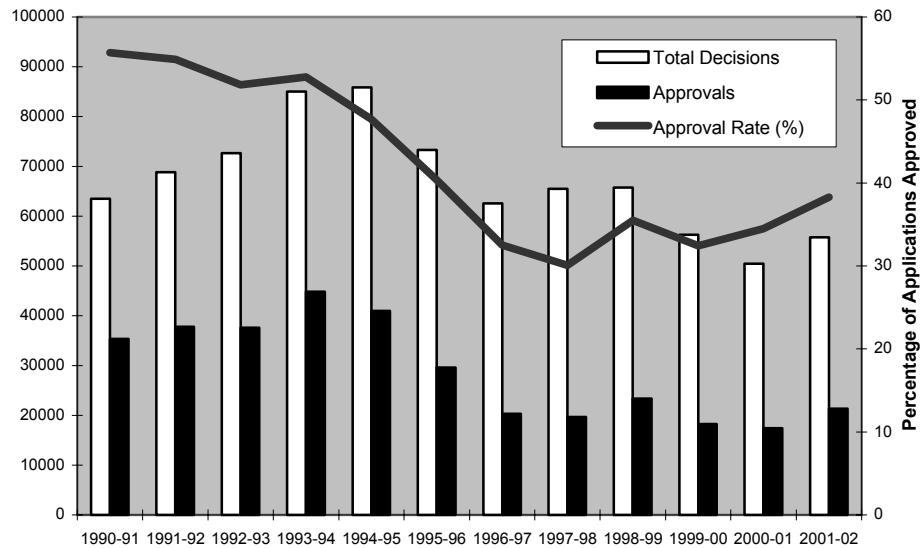
Table 1 provides a breakdown of the number of CPP(D) beneficiaries by class of principal diagnosis for the month of December in the years 1990, 1995 and 2000. According to these data, the highest incidence of CPP(D) is found among people with diseases of the musculoskeletal system and connective tissue. Also of note, the number of CPP(D) beneficiaries with mental disorders exhibited the greatest relative (and absolute) growth during this period, rising from 21,830 in December 1990 to 63,171 in December 2000. In contrast to this, the number of CPP(D) beneficiaries with diseases of the circulatory system declined the most between December 1990 and December 2000.

INITIAL DECISIONS, APPEALS AND REASSESSMENTS

As may be expected from the decline in the volume of applications received (Chart 1b), the trend in initial CPP(D) decisions also declined between 1990-1991 and 2001-2002. As shown in Chart 3, the total number of initial decisions for CPP(D) increased until 1994-1995 and declined thereafter. Notably, there is a general downward trend in the number of applications approved. The approval rate (i.e., the number of applications approved expressed as a proportion of the total number of initial decisions) also declined between 1990-1991 and 1997-1998, but

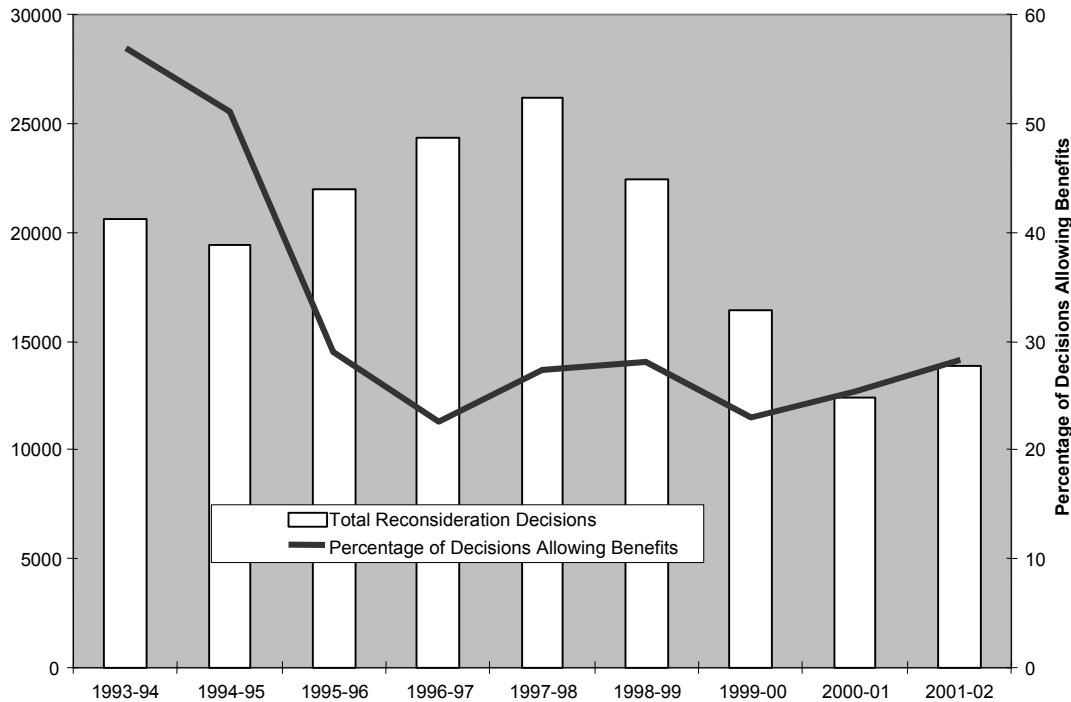
increased slightly thereafter. The proportion of applications approved in 1990-1991 was 55.7% of all CPP(D) initial decisions in that year. By 2001-2002, the approval rate had dropped to 38.3%.

CHART 3 - Initial CPP(D) Decisions and Approvals



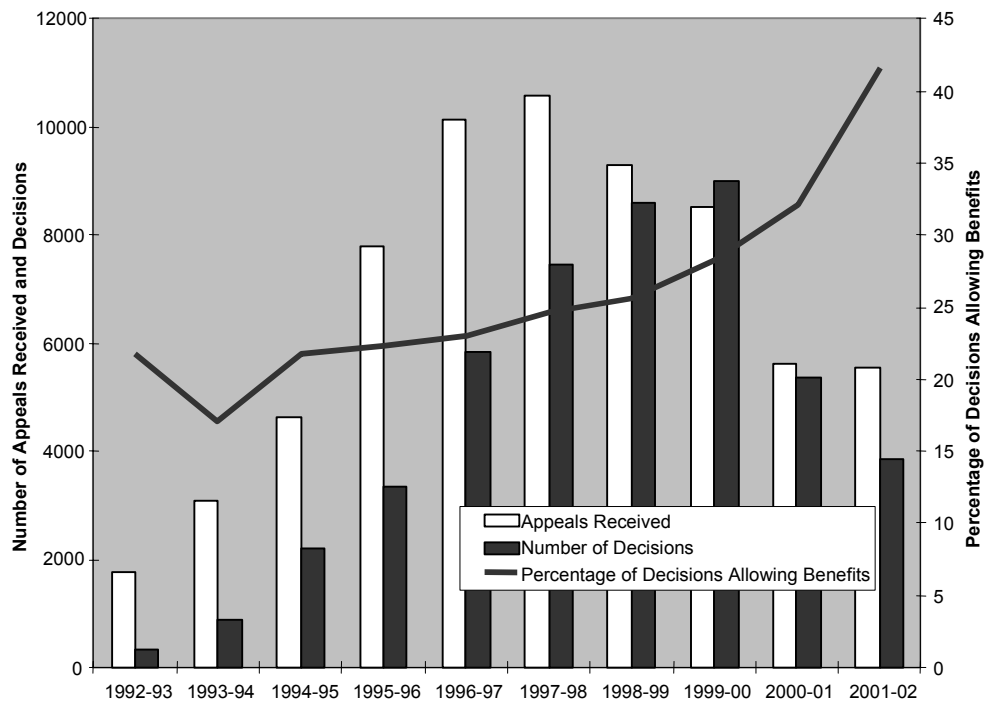
Individuals whose applications for CPP(D) benefits are denied may appeal the decision. There are three levels of appeal. The first level involves a request to the Minister of Human Resources Development Canada for a reconsideration (or administrative review) of the initial decision. As indicated in Chart 4(a), the number of reconsideration decisions has fluctuated since 1993-1994, the earliest period for which these data are available. Although the percentage of benefits awarded at the first level of appeal has declined by more than one half during this period, the reconsideration approval rate has been relatively stable since 1995-1996.

CHART 4(a) - Reconsideration Decisions (First Level of Appeal)



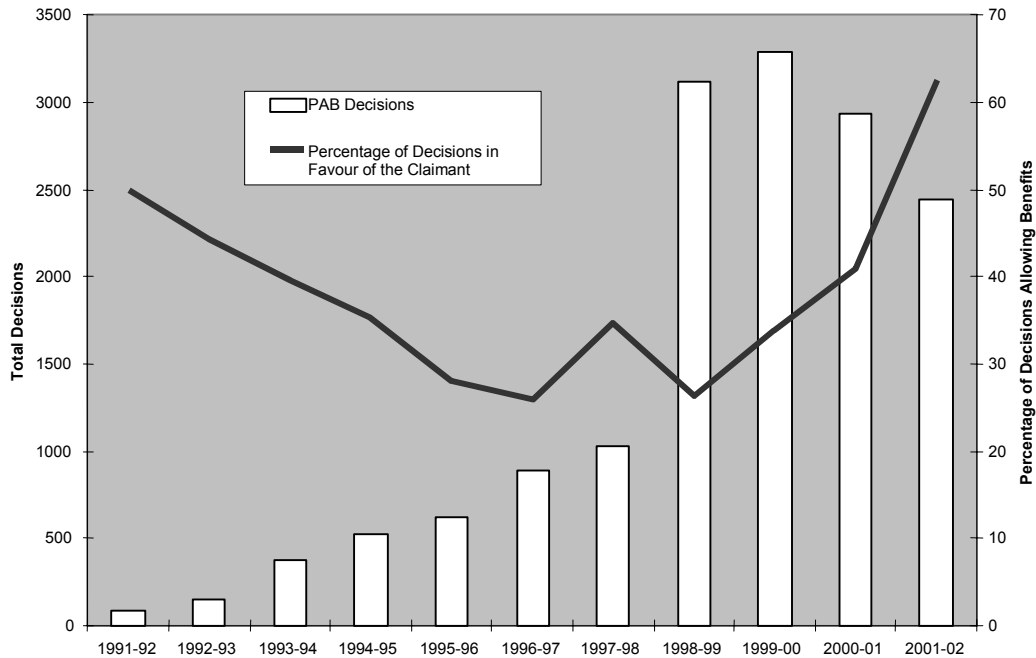
When an individual is not satisfied with a decision related to the first level of appeal, the individual may appeal this decision to a Review Tribunal (second level of appeal). The Office of the Commissioner of Review Tribunals is the organization responsible for conducting these appeals. Chart 4(b) presents data on the number of appeals and decisions for the period 1992-1993 to 2001-2002. The volume of appeals received peaked in 1997-1998, while the number of decisions rendered peaked in 1999-2000. (The number of appeals received and decisions rendered in a given fiscal year do not add up because there is a time lag between the receipt of an appeal and the rendering of a decision.) It is interesting to note that the proportion of appeals decided in favour of claimants has increased steadily since the early 1990s. In 1992-1993, the allowed rate (i.e., the number of favourable decisions expressed as a percentage of total decisions in a given fiscal year) was 21.8%. In 2001-2002, the allowed rate was 41.6%, more than 90% higher than nine years earlier.

CHART 4(b) - Appeals to the Review Tribunal (Second Level of Appeal)



In the event that a client or the Minister of Human Resources Development Canada is dissatisfied with a decision of the Review Tribunal, this decision may be appealed to the Pension Appeal Board (third level of appeal). The PAB consists of judges appointed by Order in Council. PAB decisions may be subject to a judicial review by the Federal Court. In order to appeal to the PAB, an appellant must first make a formal request to appeal the decision of the Review Tribunal. If accepted, the case will proceed to a PAB hearing. If not, the decision of the Review Tribunal stands. While the data presented in Chart 4(c) refer to all CPP appeals, appeals related to CPP(D) are estimated to account on average for 95% of all CPP cases at the PAB. As illustrated in this chart, the volume of PAB decisions has increased substantially since the early 1990s, a result that is undoubtedly connected to the growth in second-level appeals during the same period. In addition, the proportion of PAB decisions (at or prior to a hearing) in favour of claimants (as opposed to the Minister) has increased steadily since 1998-1999 and today represents some three-fifths of all CPP decisions rendered by the PAB.

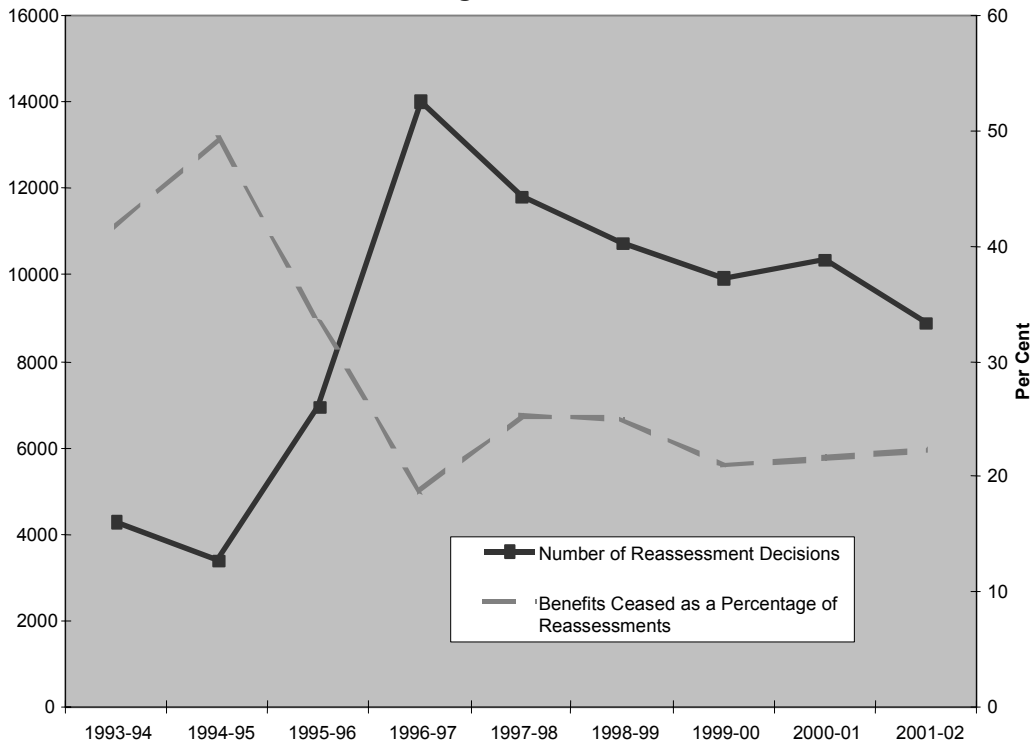
CHART 4(c) - Pension Appeal Board Decisions (Third Level of Appeal)



In May 1993, a pilot project was initiated to review the continuing eligibility of CPP(D) beneficiaries who may have regained the capacity to work. As a consequence of this project's results, reassessing CPP(D) beneficiaries has become a permanent feature of the program. Chart 5 shows that some 8,900 reassessment decisions were made in 2001-2002. As a result, 1,988 individuals (including those who have returned to work) had their benefits terminated. This represents about 22.3% of all reassessment decisions that year.

Chart 5 also shows that the proportion of CPP(D) benefits that are terminated as result of all reassessment decisions has declined since 1993-1994 and has remained relatively stable since 1997-1998. These reassessments generate significant savings for the program: in 2001-2002, the cessation of benefits attributed to CPP(D) reassessments generated annual savings worth roughly \$18.7 million.

CHART 5 - Number of Reassessment Decisions and Percentage of Benefits Ceased

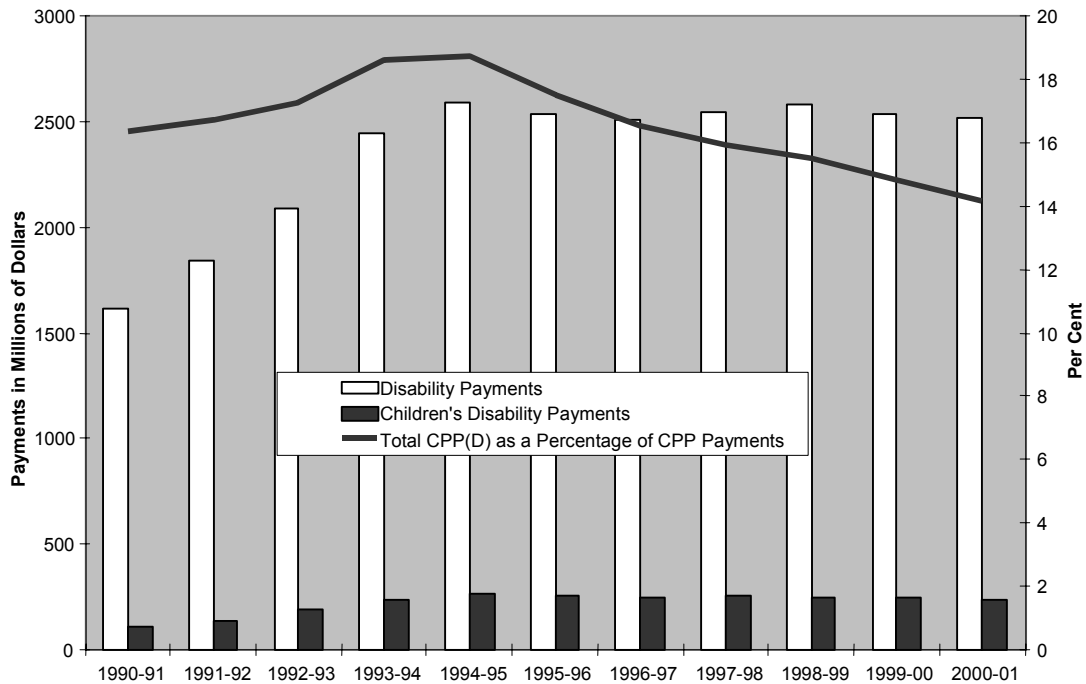


BENEFITS

CPP(D) is Canada's largest long-term disability program. In 2000-2001, CPP(D) beneficiaries received total payments worth \$2,552 million. This was accompanied by children's benefit payments worth \$235.2 million. Chart 6 shows that payments made during the period 1990-1991 to 2000-2001 peaked in 1994-1995, a somewhat surprising result given that the size of the CPP(D) caseload reached its apex in the following year. CPP(D)'s share (including children's benefits) of total CPP payments also reached a maximum of 18.7% in 1994-1995, and since then has declined steadily to 14.2% in 2000-2001.

CPP(D) is a fully indexed, taxable monthly benefit. It consists of two parts – a flat-rate component and an earnings-related component. The former is a payment of \$364.49 per month in 2002, while the latter is a payment equal to 75% of the retirement pension that a CPP(D) beneficiary would have received at age 65. In 2002, the maximum monthly CPP(D)

CHART 6 - Annual Canada Pension Plan Disability Payments



benefit is \$956.05 (or \$11,472.60 per year). However, as shown in Chart 7(a), the average monthly CPP(D) today is about four-fifths of the maximum payment. This is down significantly from 1993, when the average CPP(D) monthly payment was about 96% of the maximum allowed. Dependents of CPP(D) beneficiaries receive a flat-rate children's benefit worth \$183.77 per month (or \$2,205.24 per year) in 2002.

Unfortunately, there are no readily available data on trends in the average duration of CPP(D) benefits. According to the data presented in Chart 7(b), as of April 2002 the bulk (68.6%) of CPP(D) recipients had received benefits for less than 10 years. Only 2.2% of all CPP(D) beneficiaries at that time had received CPP(D) benefits for 20 years or more.

According to the data displayed in Chart 7(c), which relate to initial CPP(D) applications granted during the period 1 January 2001 to 12 July 2002, roughly 46% of CPP(D) recipients receive disability income from another source. This is somewhat lower than Statistics Canada's 1995 estimate of 60%.⁽⁴⁾ As found in the 1995 Statistics Canada survey, next to CPP(D)

(4) Auditor General of Canada, *1996 Report of the Auditor General of Canada*, Chapter 17, paragraph 17.116.

CHART 7(a) - Average Monthly Disability Payments

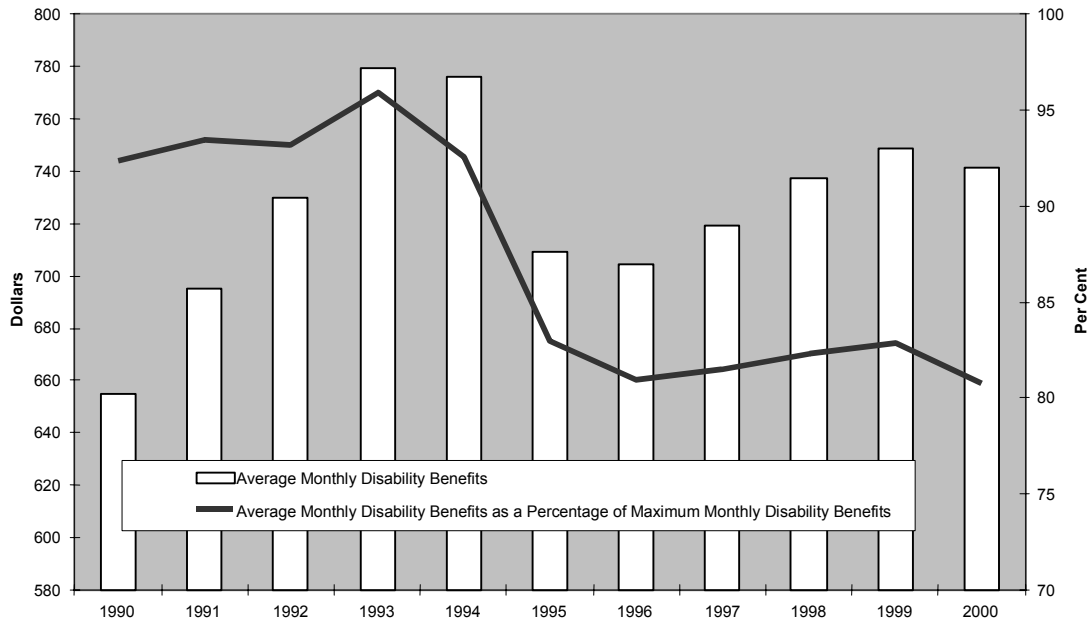
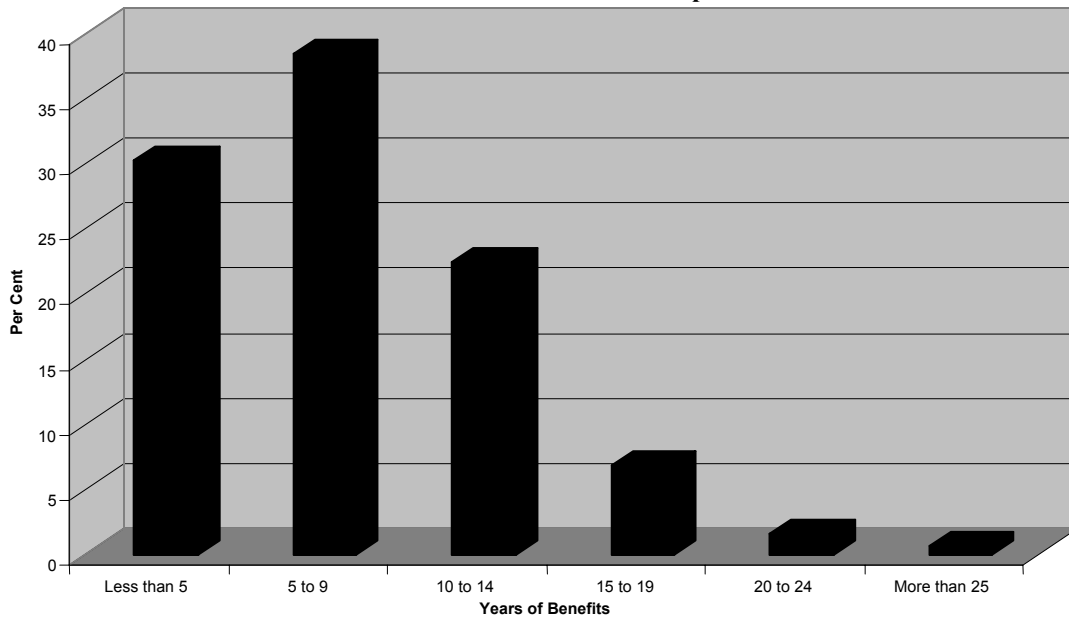
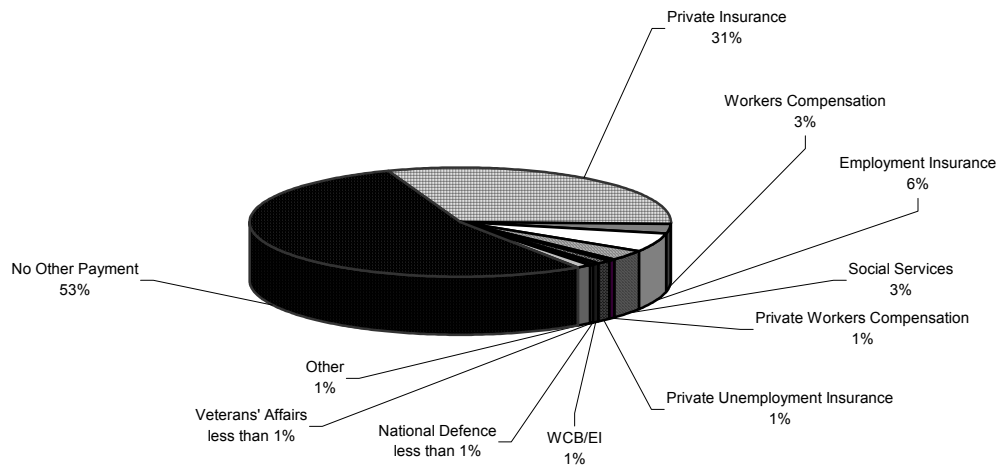


CHART 7(b) - Distribution of CPP(D) Beneficiaries by Duration of Benefits as of April 2002



payments, private insurance is the second most common source of disability income support paid to CPP(D) beneficiaries. Employment Insurance, Social Assistance and Workers' Compensation were the next most frequently reported sources of disability income among CPP(D) beneficiaries.

CHART 7(c) - Distribution of Other Types of Disability Income Support Received by CPP(D) Beneficiaries Whose Application Was Approved Between January 2001 and July 2002



VOCATIONAL REHABILITATION

In 1993, a pilot program called the National Vocational Rehabilitation Project was initiated to provide some CPP(D) clients with vocational rehabilitation services to assist them in returning to work.⁽⁵⁾ Since then, Vocational Rehabilitation has become a permanent initiative, and today CPP(D) works with each participant to develop a customized return-to-work plan. Participation is voluntary.

(5) *Annual Report on the Canada Pension Plan, 1996-97*, p. 33.

CHART 8 - Vocational Rehabilitation

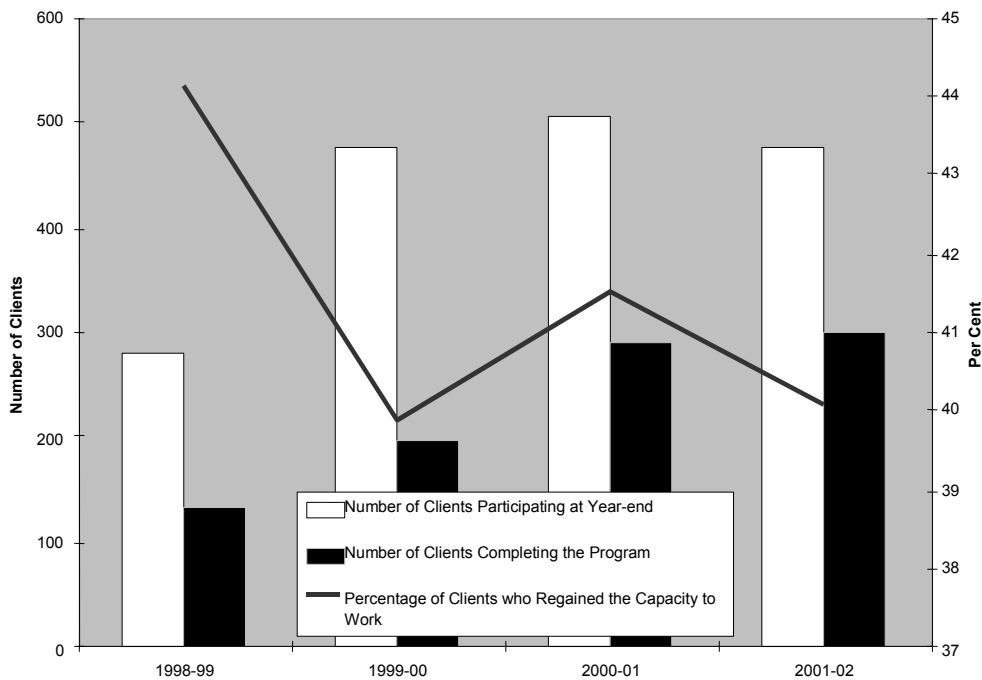
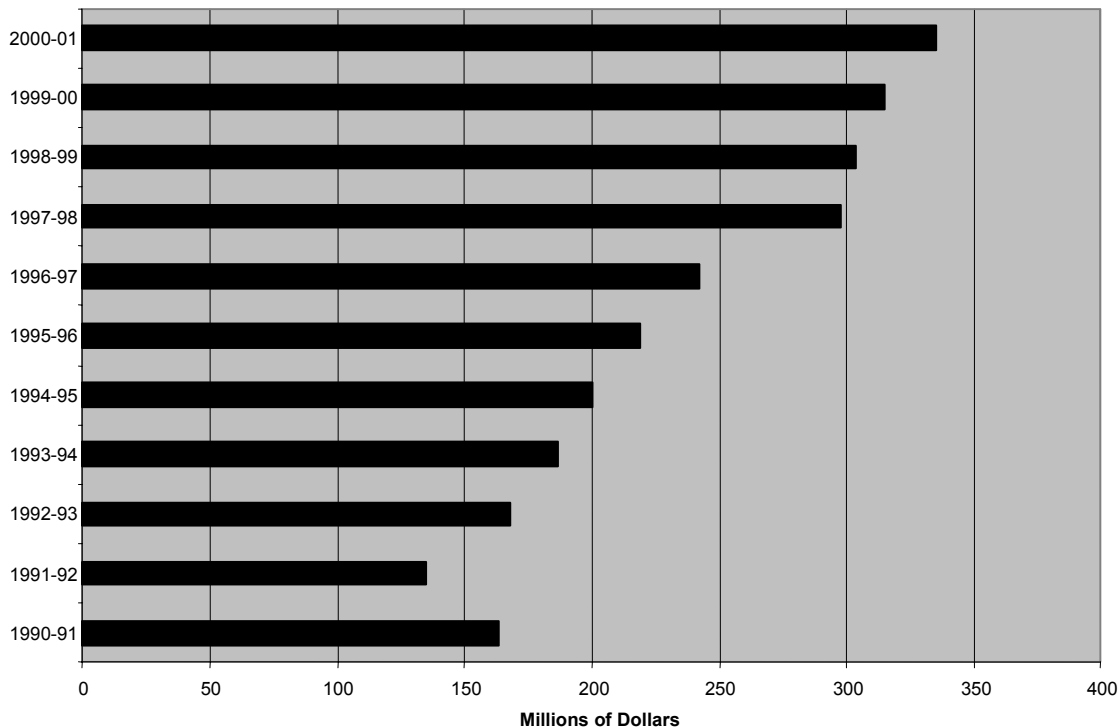


Chart 8 provides information on the number of individuals participating in Vocational Rehabilitation during the period 1998-1999 to 2001-2002. As illustrated in the chart, program participation almost doubled between 1998-1999, the first fiscal year in which the program was fully operational in each region of the country, and 1999-2000. Of those who exited Vocational Rehabilitation in 2001-2002, 33.8% were successful in regaining employment and were no longer receiving CPP(D) payments. This is somewhat lower than the percentage of successful participants in the previous fiscal year and in 1998-1999. In keeping with the growth in program participation, expenditures on Vocational Rehabilitation also increased during this period from \$3.6 million in 1998-1999 to \$4.6 million in 2001-2002. It is estimated that clients who successfully completed Vocational Rehabilitation in 2001-2002 saved CPP about \$5.2 million (forecast over a five-year period).

ADMINISTRATION

Managing CPP(D) is included in the administration of the CPP, an activity that is shared among seven federal departments and agencies: Human Resources Development Canada (HRDC), Canada Customs and Revenue Agency (CCRA), Public Works and Government Services

CHART 9(a) - Canada Pension Plan Administration Costs



Canada (PWGSC), Office of the Superintendent of Financial Institutions (OSFI), Finance Canada, Office of the Commissioner of Review Tribunals (OCRT),⁽⁶⁾ and the CPP Investment Board (CPPIB). Funding for the last-mentioned organization comes directly from the CPPIB's investment income. In 2000-2001, CPPIB operating expenses totalled \$6.7 million. HRDC is responsible for pension and benefit delivery, accommodation and corporate services. CCRA assesses, verifies and collects CPP contributions. PWGSC issues cheques and provides computer services. OSFI provides actuarial services, and Finance Canada is responsible for leading the CPP statutory review and negotiations with the provinces. The OCRT holds hearings on appeals by individuals regarding decisions by the Minister of Human Resources Development Canada concerning benefit entitlement under the Canada Pension Plan (and Old Age Security).

As indicated in Chart 9(a), CPP administration costs have risen since 1990-1991. In 2000-2001, CPP administration costs (excluding the CPPIB) totalled \$334.9 million, more than double the \$162.9 million expenditure on administration in 1990-1991. Although the size

(6) Administration costs associated with the Office of the Commissioner of Review Tribunals are included in the costs pertaining to HRDC as reported in the *Annual Report on the Canada Pension Plan, 2000-01* (and other years). In 2000-2001, OCRT costs were \$11.7 million.

of the program increased during this period, CPP administration costs relative to CPP payments increased from 1.5% in 1990-1991 to 1.7% in 2000-2001.

As illustrated in Chart 9(b), HRDC accounts for the lion's share of CPP administration costs. In 2000-2001, HRDC (including the Office of the Commissioner of Review Tribunals) accounted for 72.5% of CPP administration expenses. This was followed by CCRA (23.2%), PWGSC (3.8%), OSFI (0.3%) and Finance Canada (0.1%).

CHART 9(b) - Distribution of CPP Administration Costs, 2000-01

