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*LIFE AFTER SERVICE STUDIES (LASS) SECONDARY ANALYSIS  
(RELEASE 20)*

## **Income Recovery after Participation in the Rehabilitation Program**

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## Research Question (Request)

What are the incomes of Rehabilitation Services and Vocational Assistance Program clients after program completion?

## Introduction

The New Veterans Charter (NVC) was introduced in 2006. Previously, post-Korean War Veterans applied for compensation under the *Pension Act*. The intent of the NVC was to offer, in lieu of a monthly pension cheque, a suite of benefits and services that encourages wellness and rehabilitation and is consistent with the modern principles of the management of disability. Part of modernizing compensation was to separate compensation for economic loss from compensation for non-economic loss. This dual approach is similar to that used by other countries providing Veteran compensation, such as the UK and Australia who both adopted dual award approaches prior to Canada, and Workers Compensation Boards in Canada (MacLean and Pound, 2014).

Currently, the income study portion of the Life After Service Studies (LASS) follows the incomes of Veterans one year prior to release, the release year and up to 13 years post-release. However, many enter the Rehabilitation Services and Vocational Assistance Program years after release from the military. To date, the incomes of clients have only been examined while they were still participating in the program but not after participating in the program. This study follows the incomes of program clients over time using the 2013 LASS income study data.

The Rehabilitation Services and Vocational Assistance Program (Rehabilitation Program), initiated in April 2006 as part of the NVC, was designed to reduce barriers that limit Veterans' roles in the workplace, home or community<sup>1</sup>. As of March 2013, there were 5,866 program clients and another 2,342 who had completed the program<sup>2</sup> for a total of 8,208. Clients who completed the program included those who successfully completed the program (85%), those who became eligible for the program but were later found to not require rehabilitation (11%) as well as those deemed totally and permanently incapacitated (25%). Clients deemed TPI includes some who successfully completed the program. The aim of this study is to examine the incomes of Veterans who have completed the Rehabilitation program.

## Method

The 2013 Income Study, part of the LASS program of research, examined pre- and post-release income trends, for both Regular and Reserve Force Veterans. Statistics Canada produced aggregate tables from a linkage of records on military releases, VAC client

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<sup>1</sup> Spouses and survivors can also become eligible for the program.

<sup>2</sup> Source: Rehabilitation and Vocational Assistance Performance Snapshot and Client Profile, Fiscal Year 2012/13. Client totals exclude those who were cancelled due to failure to participate (466) and deaths (103).

status and tax files for three groups: 51,990 Regular Force Veterans (released 1998-2011) and 15,596 Class A/B Reserves and 3,185 Class C Reserves (both released 2003-2011). The study included income from all taxable sources. VAC disability benefits under the *Pension Act* and disability awards under the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* (the NVC) are non-taxable and therefore not included in the income tax data. Among Regular Force Veterans in this population frame who ever participated in Rehabilitation from 2006 to 2011, almost half (44%) entered the program in the same year they released.

Veterans are eligible to enter the Rehabilitation Program at any time after release; therefore, not all started the program in the year of release. This study followed Veteran clients who completed the program which includes those who successfully completed the program, those who became eligible for the program but were later found to not require rehabilitation, as well as those deemed totally and permanently incapacitated<sup>3</sup> (TPI). The time-frame for following these rehabilitation clients included the year prior to release (pre-release); the year prior to entry into the rehabilitation program (pre-program) (this may be the same as the pre-release year if they entered in the year after release); the average over the year or years while in program (during program) (includes year of entry and year in which they left the program) and each year post program (one to four years).

The Income Study captured 852 Regular and Reserve Force Veterans released from 1998 to 2011 who completed the Rehabilitation Program. This represented about one-third (36%) of the 2,342 clients who completed the program. The income study sample excludes those who released prior to 1998 and after 2011.

Tables were produced for total income, labour-market earnings and the low-income rate (all before tax and in 2011 dollars). Total income includes earnings, pensions (ex. superannuation and RRSPs), other employment income (includes taxable earnings loss benefits such as those paid by SISIP and VAC) and government transfers (ex. social assistance, Canada Pension Plan and Old Age Security). VAC disability benefits (disability pensions and award) are not included as they are not reported on tax files used in the Income Study. Labour-market earnings were calculated as "earnings" less "other employment income." Other employment income included wage loss compensation benefits such as VAC and Service Income Security Insurance Plan (SISIP) earnings loss benefits. Incomes were examined for total rehabilitation clients as well as the sub-set of rehabilitation clients who participated in vocational rehabilitation as indicated by having completed an Individual Vocational Rehabilitation Plan.

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<sup>3</sup> TPI means that the Veteran is incapacitated by a permanent physical and/or mental health problem that prevents them from performing any occupation that would be considered "suitable gainful employment." "Suitable gainful employment" is defined as employment for which the Veteran is reasonably qualified by reason of education, training or experience and that provides a rate of pay equal to at least 66 2/3% of the gross pre-release military salary.

## Results

There were 852 clients who completed the program and a subset of 168 or 20% who completed vocational rehabilitation captured in the Income Study. Vocational rehabilitation clients were younger (26% less than age 40), compared to total rehabilitation clients (17% less than age 40), less likely to have been medically released (62% compared to 78%) and less likely to have served for 20 years or more (43% compared to 54%) (Table 1). Younger Veterans were less likely to be deemed TPI (7% of those deemed TPI were less than age 40 while 16% of all rehabilitation clients had been deemed TPI). The same proportion of total rehabilitation and vocational rehabilitation clients were females (17%). A total of 139 Veterans who completed rehabilitation had been deemed TPI and 9 of these Veterans had completed vocational rehabilitation. Therefore, 15% of Veterans who completed rehabilitation had been deemed TPI without having completed a vocational rehabilitation plan.

**Table 1: Completed the Rehabilitation Program as of March 2013**

	Aged less than 40 at Program Start	Medically released	Female	20 years of service or more
<b>Rehabilitation</b>				
Completed Rehabilitation N=852	143 (17%)	667 (78%)	148 (17%)	459 (54%)
TPI N=139 (17% of 852)	10 (7%)	123 (18%)	27 (18%)	83 (18%)
<b>Vocational Rehabilitation</b>				
Completed Vocational Rehabilitation N=168*	43 (26%)	104 (62%)	29 (17%)	72 (43%)

\* 9 deemed TPI

### Completed Rehabilitation

Veterans who completed rehabilitation recovered the majority of their pre-release income. After program completion total income replacement was around 75% and labour-market income replacement was around 40% (Table 2). Former Rehabilitation clients did not rely heavily on labour-market earnings, which accounted for only about 50% of all income after program completion. After program completion, rates of experiencing low income were similar to rates prior to entering. Prior to release, few (1%) who completed rehabilitation experienced low income. The low income rate, however, was highest during the program at 8% (Table 2).

**Table 2: Completed Rehabilitation, Income Pre- & Post-Rehabilitation**

	Total income*		Labour-Market Earnings**			Low Income (% below LIM)
	\$	Pre-Release Replacement Rate	\$	Pre-Release Replacement Rate	% of Total Income	
Pre-release	\$77,410	-	\$74,930	-	97%	1%
Pre-Program	\$72,590	94%	\$54,280	72%	75%	4%
During Program	\$64,050	83%	\$23,390	31%	37%	8%
1 Yr After Program	\$59,460	77%	\$31,300	42%	53%	4%
2 Yrs	\$62,230	80%	\$33,590	45%	54%	3%
3 Yrs	\$61,730	80%	\$32,770	44%	53%	5%
4 Yrs	\$53,350	69%	\$28,970	39%	54%	n.a.

\* Includes earnings, pensions, other employment income and government transfers. VAC disability benefits (disability pensions and award) are not included as they are not reported on tax files used in the Income Study.

\*\*Labour-market earnings were calculated as "earnings" less "other employment income."

### Completed Vocational Rehabilitation

Veteran Rehabilitation clients overall had higher total income replacement rates than the subset who completed vocational rehabilitation, about 75% (Table 2) compared to about 60% (Table 3). Labour-market earnings replacement rates were similar for those who completed vocational rehabilitation (45%) and for the total rehabilitation clients (40%). Former vocational rehabilitation clients relied heavily on labour-market earnings, which accounted for roughly 65% of total income after program completion (Table 3). Reliance on labour-market income was lower for total rehabilitation clients at around 50% of total income. There were too few observations of low income among those who participated in vocational rehabilitation to report the rates for the pre-release year and the four years after program completion. However, the rate was 11% during the program for those who completed vocational rehabilitation (Table 3) compared to 8% for total rehabilitation clients (Table 2).

**Table 3: Completed Vocational Rehabilitation, Income Pre- & Post-Rehabilitation**

	Total income*		Labour-Market Earnings**			Low Income (% below LIM)
	\$	Pre-Release Replacement Rate	\$	Pre-Release Replacement Rate	% of Total Income	
Pre-release	\$66,450	-	\$64,340	-	97%	n.a.
Pre-Program	\$58,830	89%	\$40,960	64%	70%	6%
During Program	\$48,740	73%	\$15,190	24%	31%	11%
1 Yr Post-Program	\$46,700	70%	\$30,440	47%	65%	n.a.
2 Yrs	\$41,280	62%	\$27,490	43%	67%	n.a.
3 Yrs	\$42,800	64%	\$27,290	42%	64%	n.a.
4 Yrs	\$33,330	50%	\$30,010	47%	90%	n.a.

n.a. fewer than 5 cases and considered unreliable.

\* Includes earnings, pensions, other employment income and government transfers. VAC disability benefits (disability pensions and award) are not included as they are not reported on tax files used in the Income Study.

\*\*Labour-market earnings were calculated as "earnings" less "other employment income."

## Discussion

This study found that, on average, Veterans who completed the Rehabilitation Program recovered about 75% of their pre-release total income and about 40% of their pre-release labour-market earnings. The subset of Veterans who completed vocational rehabilitation had lower total income replacement rates (about 60%) and about the same replacement rate of labour-market earnings (about 45%).

Although, the labour-market replacement rate among those who completed vocational rehabilitation was about 45%, the majority of these Veterans were aged 40 or older and many had served 20 years or more, so would have pension income. This replacement rate is much lower than the 66.6% replacement rate used as the threshold for deeming TPI, i.e., what would be considered suitable and gainful employment. A recent study (MacLean, VanTil and Poirier, 2015) found that Veterans age 40 to 54 without disability benefits earned only 55% of what they earned in the military. Those aged 55 and older had an even lower labour-market replacement rate of 20%. Pre-release income includes a military factor<sup>4</sup> to compensate for factors unique to military service such as deployment and many would have received extra pay in the year prior to release. Is it reasonable to replace these sources of income in the civilian labour-market?

Also, about 15% of Veterans who completed rehabilitation had been deemed TPI without having completed a vocational rehabilitation plan. It is possible that participation in vocational rehabilitation prior to TPI designation might have identified opportunities to improve earnings capacity among this group.

This study, for the first time, examined the incomes of rehabilitation clients after program completion. Previously, the LASS Income Study examined pre- and post-release income; however, many Rehabilitation clients entered the program years after release. This study has some important limitations. First, as tax data were available only until 2011 at the time of the data linkage, the impact of changes to the NVC in 2011 is not reflected. These changes provided additional economic loss compensation for the most seriously disabled including a minimum earnings loss benefit aimed at reducing the rate of low income. Assessing the impact of these changes on income would require income data beyond 2011. Second, disability benefit payments are not reflected in this study. These benefits are non-taxable and were therefore not included in the tax data used in the study.

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<sup>4</sup> A factor of 7% is added to comparable federal public service occupations and is paid to compensate for factors unique to military service such as deployment, moves and no payment of overtime.

## **Conclusion**

Veterans who completed the Rehabilitation Program recovered about 75% of their pre-release income and less than half (about 40%) of their pre-release labour-market earnings. Those who completed vocational rehabilitation had similar recovery of labour-market earnings but lower recovery of total income compared to overall Rehabilitation program clients. Rates of experiencing low income were similar before and after program completion and higher while participating in the program.

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