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SICKNESS, DISABILITY AND WORK

Improving opportunities in Norway, Poland and Switzerland

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Structure of the presentation

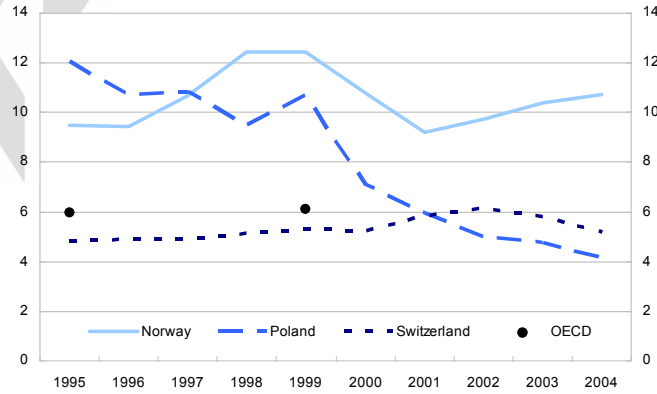
- Key outcomes for Poland
 - Large drop in beneficiary numbers and spending
 - But: Low and segregated employment
 - But: Large substitution into other systems
 - But: No transition from benefits into work

- Policy conclusions on
 - System of employment support
 - Vocational rehabilitation
 - Benefit systems
 - Reassessment and work incentives

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Considerable drop of disability inflow rate in Poland

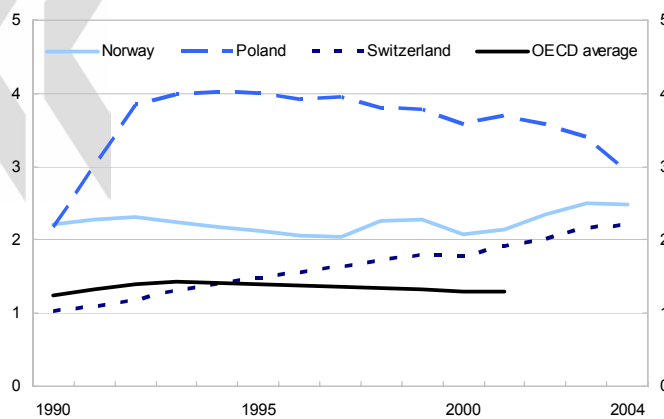
Annual inflow into disability benefit, in per 1000 of the working age population



Source: National insurance authorities: NIA (Norway), IV (Switzerland) and ZUS (Poland). OECD (2003) for OECD average. For Poland, inflows into ZUS disability benefits over the non agricultural labour force. Age 20-64 for Poland and Switzerland, age 20-66 for Norway. OECD average refers to OECD-11

A corresponding decrease in annual spending on disability benefits

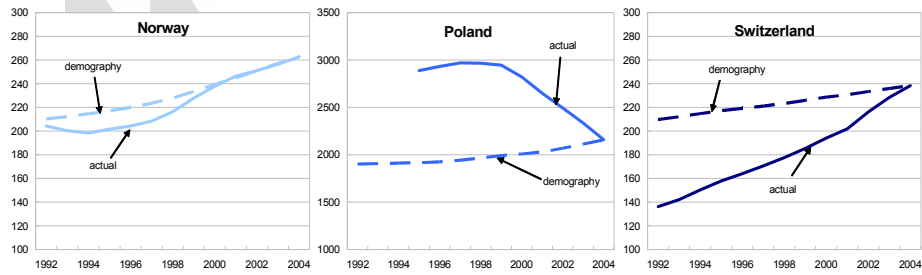
Spending on disability benefits, percentage of GDP, 1990 - 2004



Source: : OECD (2006) Social Expenditure database; data supplied by national authorities. Norway: temporary and permanent disability benefit; Poland: disability benefit for employees and for farmers; Switzerland: disability benefit, supplementary benefit and mandatory occupational disability pension.

In the absence of ageing, beneficiary rates would have declined even faster in Poland

Number of disability beneficiaries 1992-2004, actual and adjusted for demographic development

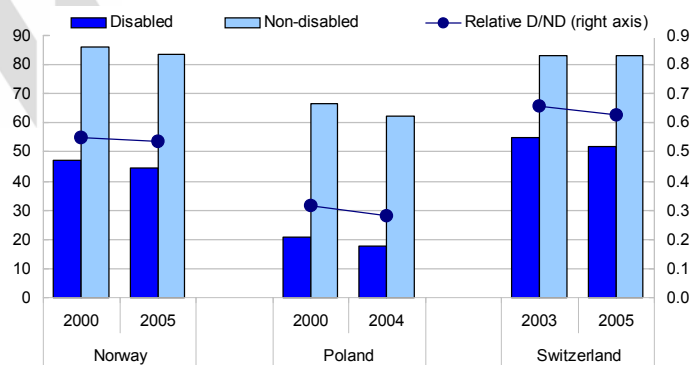


Source: OECD population database and beneficiary data from National Insurance Administrations. The dotted lines labelled "demography" show numbers of beneficiaries under the assumption of constant age- and gender-specific beneficiary rates of 2004, the straight lines show actual numbers of beneficiaries. Poland: trend 1992 to 2003 in KRUS and social pension beneficiaries assumed to follow the trend of ZUS pension beneficiaries

Key challenge 1: Low and segregated employment

Employment levels are markedly lower in Poland

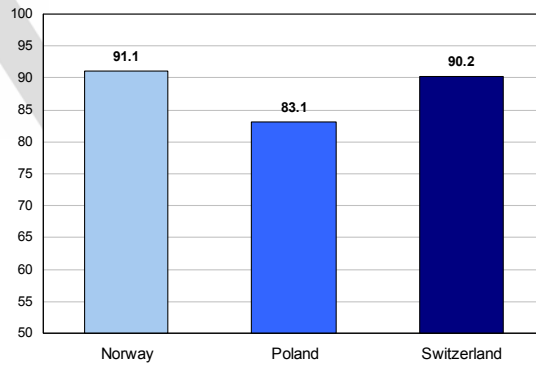
Employment rates of disabled and non disabled persons of working age, 2000-2005



Source: National labour force surveys

... leading to lower income and higher poverty levels among disabled persons

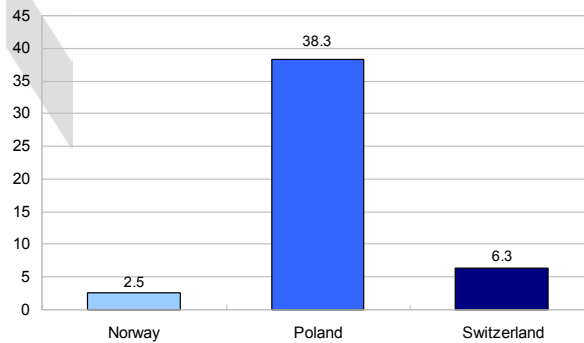
Levels of relative disposable income of disabled persons (working-age population = 100)



Source: EU SILC for Norway, Household budget survey for Poland, Health survey for Switzerland concept used is disposable household income per equivalent person (equivalence elasticity=0.5).

Disabled workers in Poland are overrepresented in sheltered employment

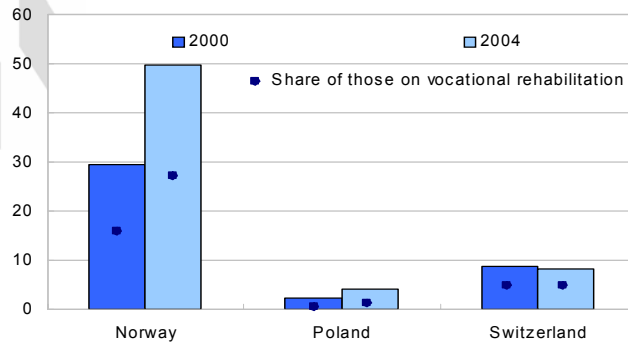
Participants in sheltered employment as a share of all disabled workers, 2004



Source: OECD estimations based on the Norwegian Labour force survey for 2004 and 2005 and administrative data from AETAT; Polish Labour force survey for 2004 and administrative data from PFRON; and Swiss Health Survey for 1997 and OECD (2003a) Data for Switzerland refer to 1998.

The incidence of rehabilitation is lowest in Poland

People in medical and vocational rehabilitation as a share of the stock of disability beneficiaries, 2000 and 2004



Source: Norwegian National Insurance Authority (NIA), Polish National Insurance Authority for the non agricultural sector (ZUS), Swiss Disability Insurance (IV).

Medical rehabilitation in Norway is based on people receiving a medical rehabilitation allowance rather than people participating in medical rehabilitation. For Poland and Switzerland, only medical rehabilitation offered by the disability insurance is included; thus excluding medical rehabilitation offered by the health insurance system

Key challenge 2: Substitution into other benefit schemes

A close relationship between disability benefit on the one hand and unemployment and early retirement on the other

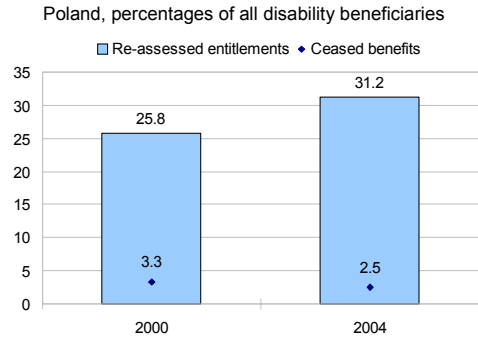
Numbers and inflows in thousands, Poland



Source: Polish National Insurance Authority for the non agricultural sector (ZUS).

Key challenge 3: Lacking outflow from disability benefit into work

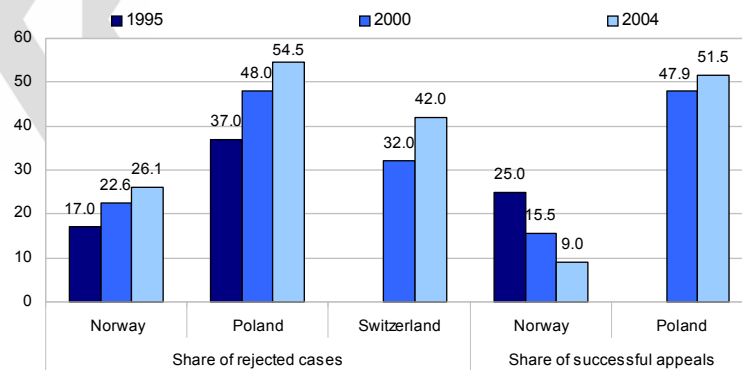
Many entitlements are re-assessed, but few are ceased



Source: Polish National Insurance Authority for the non agricultural sector (ZUS).

.. but there is little follow-up, and the share of successful appeals of rejections is high, ...

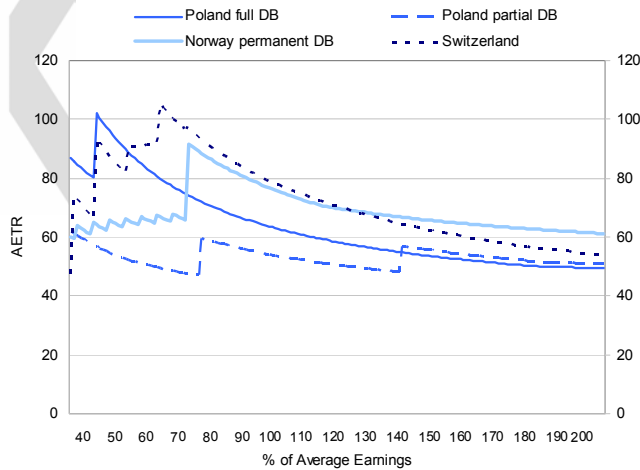
Rejected cases as share of all claimants and successful appeals as share of all rejected cases



Source: Fiscal State budget 2004 and 2005, Ministry of Labour and Social Affairs (Norway), IV (Switzerland) and ZUS (Poland).

... and taking up work can be very costly for many beneficiaries who would like to do so

Average effective tax rates for a 40-year old disabled single person, 2004



Source: Special module of OECD tax/benefit model. Information provided by national authorities. Average effective tax rate (AETR) is the percentage of earnings that is taxed away via increased taxes and reduced benefits when taking up work. The person is assumed to be on disability benefit after having worked 22 years at average earnings. 13

Policy conclusion 1:

Improve the system of employment support

- Challenge: low and segregated employment
- Recent reforms: wage subsidies expanded
- Policy options:
 - Streamline the system, with one-stop-shop philosophy
 - Improve governance of the PES, PFRON and Poviats
 - Improve coordination between the PES and ZUS
 - Reconsider funding mechanisms

Policy conclusion 2:

Make the system of vocational rehabilitation more effective

- Challenge: impact of the system is negligible
- Recent reforms: gradual expansion
- Policy options:
 - Ease eligibility criteria, enable earlier intervention
 - Redirect funding and increase supply of services
 - Improve process and tailor support to needs
 - Introduce and enforce obligations

Policy conclusion 3:

Make sure that the fall in disability benefit inflows is sustainable

- Challenge: considerable substitution
- Recent reforms: tighter access to disability benefits
- Policy options:
 - Improve the disability assessment structure
 - Reduce sickness absence through better control
 - Align KRUS scheme with general ZUS scheme
 - Improve coordination with the old-age pension system

Policy conclusion 4:

Raise voluntary outflow and improve impact of involuntary outflow

- Challenge: no outflow from benefit into work
- Recent reforms: stricter re-assessments
- Policy options:
 - Improve work incentives for partial and full disability
 - Continue and extend focus on reassessments
 - Follow-up on those losing their benefit entitlement
 - Address high rate of rejections and successful appeals

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The bigger picture:

Policies to increase labour demand more generally are also needed

- Challenge:
 - Low employment, high unemployment, large informal sector, high inactivity and high public spending
- Policy options:
 - Reduce labour costs and tax wedge for low-income workers
 - Make ALMP and the PES more effective
 - Strong focus on quality of education of school leavers

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