



**DIRECTORATE FOR EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS
EMPLOYMENT, LABOUR AND SOCIAL AFFAIRS COMMITTEE**

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AGENDA ITEM 4: Oral Statement by the Director

OECD Thematic Review on Reforming Disability Policies to Improve Work Incentives

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“BREAKING THE BARRIER”

OECD Thematic Review on Reforming Disability Policies to Improve Work Incentives

Framework Paper

Objectives of the review

1. This project aims to follow up on the OECD study *Transforming Disability into Ability* (published in early 2003) and will examine in more depth national policies to manage and reduce the inflow into sickness and disability benefit programmes and to assist those beneficiaries who want to reintegrate into the labour market. The objective is to reach a better understanding of the mechanisms and policies that lead a person with a health problem or a disability to withdraw from the labour market, temporarily or permanently.

2. The country reviews will seek to shed light on why medical conditions appear to be causing increasing problems both for the labour market (because employment rates of those reporting disabling conditions are low, partly because disability-type benefits are more and more used as a pathway to leave the labour market) and for social policies (because an increasingly large share of the population are relying on disability, sickness and other health-related cash benefits as their main source of income). The project will examine the main medical, vocational and structural determinants of high disability-type benefit inflows and identify which policies are likely to improve the situation.

Key elements of the review

3. The main focus of the reviews will be on *why* so many sick people end up receiving disability-related benefits and on *what works* best in reducing flows onto benefits (inflow management) and raising flows back to work (outflow management). The analysis will cover not only disability benefits but also short-term and long-term sickness benefits, “transitional” benefits which are, for instance, paid during a rehabilitation phase, as well as benefits that cover occupational injuries and diseases. It will also look at other benefits that are not designed to replace work income but to compensate disability-related extra costs, and at benefits delivered through the tax system in the form of tax deductions or (refundable) tax credits.

4. There have been steady increases in *medical conditions* which can be characterised as disabling. Disability benefit and/or long-term sickness *benefit receipt* has also been on the rise. Because of population ageing this trend is likely to continue since more workers will be in the high-risk age categories in the years to come. Sickness absenteeism of older workers is typically twice as high as among prime-age workers, and disability prevalence of workers over age 50 is 2.5 times higher than among those younger than 50. Most OECD countries have been reforming their old-age pension systems and blocking avenues into early retirement with the aim of increasing effective retirement ages. Preventing disability among older workers and keeping sick or disabled workers in work will be crucial for the success of these reforms.

5. But disability is not limited to older age groups. The number of recipients of disability benefits at *all* ages has been growing for two or more decades, despite sustained improvement in the health status of

the working-age population. Increases are particularly marked in *non-contributory* disability benefit systems which many countries have in addition to a disability insurance scheme. Most countries are seeing a particularly rapid increase in disability caused by new *mental and psychological illnesses*, many of which are stress- and work-related. Partly this can be explained by greater awareness of such problems and new diagnostic techniques to identify them. Partly this is also as a consequence of more complex and more demanding job requirements, thus broadly reflecting the health outcomes of more intense work patterns. This increase in mental conditions, such as depression, poses a particularly difficult problem for assessment, rehabilitation and work reintegration given that these conditions are *changeable* and social services are often not properly trained and equipped to help clients with mental illnesses to remain in an employment situation that is adapted to their capacities. On the whole, current policies seem insufficient to address the problems of disabled people and in avoiding that a disabling medical condition translates into long-term benefit dependency.

6. It is through *sickness* benefit programmes that workers enter the path into long-term disability. Sickness management, medical and functional assessment and monitoring procedures as well as the timing and quality of medical and non-medical interventions of such schemes – including *e.g.* the preparation of a reintegration plan and the use of full or partial early activation and of medical and non-medical rehabilitation – largely determine workers' chances to return to employment. The reviews will follow workers who are in work but who become (long-term) sick. It will examine the roles and the degree of freedom of the various *gatekeepers*, such as doctors, employers, and social insurance institutions, at the onset of sickness and eventually in the transition to disability. This will include measures that *employers* take in order to manage sickness amongst their workforce, as well as the public support they can receive for their interventions. Some countries have a *quota* for the employment of persons with disabilities – how does this influence the way workers are treated when they become sick, how does it influence the employment rate of disabled people at large, and how does this differ from the application of *anti-discrimination legislation*? Also examined will be the role of the insurance companies in helping companies to identify problems or providing advice on managing sickness.

7. Particular attention will be given to any differences there may be between the procedures followed in case of general sickness as opposed to *occupational injuries and diseases*. Occupational injury and disease schemes, which typically operate with branch-specific *risk-rated* insurance premiums and sometimes also with employer-specific *experience-rated* premiums, seem often to be more successful in managing sickness and disability than the general schemes. Complete exit from the labour market in the aftermath of an occupational injury and disease appears to be less frequent, and reinstatement or preservation of a person's work capacity more widespread. The reviews will examine why this is so and which lessons could be drawn from these schemes' practices and experience for the broader disability programmes.

8. The reviews will trace the steps which may or may not lead a worker, an unemployed or an inactive person to move onto disability benefit. The ways people become *classified* as disabled, both from the medical and the vocational perspective, are key elements in this process. Guidelines and classifications for the determination of disability and their application vary widely across OECD countries. The reviews will look at the criteria applied to *assess* disability from sickness absence up to work reintegration or long-term dependency on full or partial disability benefits, and the *transitions* from one benefit scheme to the next. It will also examine procedures of quality control of these assessments, of the feedback given to assessors and doctors, and of training, motivation and financial incentives for assessors, especially GP's. Medical and non-medical *rehabilitation* measures and their timing are another important step in this process.

9. Similarly, the reviews will map out policies aimed to help people with a medical condition, and those on disability-type benefits in particular, reintegrate into the labour market. In those countries that

have a comparatively broad and liberal access to disability benefit schemes, *outflow* management is at the centre of the disability policy strategy. How are people assisted in this process, are they receiving special support or are policies focusing on mainstreaming of generally available services? What works best for whom? What are the *obligations* for the stock of disability benefit recipients in this regard? Also examined will be the role of public and (where they exist) private employment services in making disabled people work-ready and finding them adequate jobs.

10. The OECD study *Transforming Disability into Ability* found that the structure, *eligibility* and *generosity* of the various sickness and disability benefit schemes influences benefit receipt. The reviews will examine and compare the various programmes that are relevant in the sickness and disability process. Particular attention will be given to the impact of type and organisation of benefit schemes, for example *partial versus full* benefits, short-term versus long-term benefits, benefits granted regardless of the employment status, in-work subsidies and non-contributory disability benefits. Sometimes, eligibility to one benefit creates entitlement to other benefits, thereby increasing benefit dependence. Another important aspect is benefit responsibility: Does it matter whether the benefit is paid by social insurance, private insurance or by the employer (who will often insure this risk with a private insurance company)?

11. Not only the availability and levels of benefits themselves, but the *administration* of benefit schemes strongly influences disability benefit receipt. *Caseloads* (assessments per assessor) may have an impact on time spent on disability benefit. Long claim processing times can mean that valuable time is wasted in providing the client with the proper medical and vocational services which enable him or her to leave the benefit rolls and take up work again. Benefits are increasingly granted *temporarily*. The manner and frequency with which continued entitlement is being assessed and the treatment of those losing their entitlement in this process influences outcomes. Very often rejected benefit claimants and those whose benefits were discontinued *reapply* for disability benefits again at a later stage, often without any periods of work in between and with no further change in medical conditions. Too little is known about this group of people, and too little is done to avoid that they eventually end up on disability benefits in large numbers. The review will collect and discuss evidence of backlogs, pending adjudications, rejections and appeals, percentage of benefit recipients reviewed each year, and proportion of benefits ceased in the different programmes.

Review procedure and selection of countries

12. We will review *three* countries at a time, with the plan to prepare one comparative report per year and to disseminate the findings in the form of *national* seminars in all three countries. The parent body for this work will be ELSAC, in which a progress report somewhere down the road and a final synthesis report (but not the annual comparative reports) will be discussed.

13. We seek to review countries that have particularly interesting policies to manage the inflow into disability benefit programmes and to promote the outflow from these programmes. We would like to *contrast* different approaches, such as full versus partial benefit availability, mandatory versus voluntary rehabilitation, or private versus public insurance models, as well as compare outcomes in countries with *similar* approaches. Comparability of country experience will be ensured by focusing the analysis primarily on the initial phase of sickness and subsequent disability. All countries are faced with similar medical conditions and with comparable changes in labour market conditions, and all have the same challenge of defining reliable sickness and disability assessment procedures, even though benefit systems may differ strongly across countries.

14. The comparative reports will consist of four chapters, with varying emphasis across reports depending on the key policy issues in the countries under study:

- Chapter 1: Key Outcomes
- The key outcomes on levels and trends in employment, unemployment and non-employment of disabled people and in sickness absenteeism and incidence and reciprocity of health- and disability-related benefits, by labour market group (i.e. age groups, gender, level of educational attainment, sector of the economy).
- Chapter 2: Inflow Management
- The process following the onset of sickness, including the role of various gatekeepers; the pathways onto disability benefit (for workers, unemployed and inactive people); means to avoid benefit inflow (obligations for employees and employers, rehabilitation, employer-provided support) and benefit abuse (medical and functional assessment).
- Chapter 3: Outflow Management
- The control of the stock of beneficiaries and the supports given to those who want to reintegrate into the labour market (ALMP etc.); general employment policy approach (quota, anti-discrimination legislation); work incentives and disincentives through benefit and activation schemes; learning from occupational injury and disease schemes.
- Chapter 4: Policy Conclusions

15. We will update the data collection started in 2000 with *Transforming Disability into Ability* for a maximum number of OECD countries. Therefore, we will send a data request to all OECD countries for the preparation of the final report.