

# Preventing Disconnection Among the Sick and Disabled

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## **Recession and Beyond**

- OECD countries almost universally in recession
- In such periods unemployment becomes the dominant social issue
  - This crowds out wider debates on welfare structures
  - Opens twin debates on increasing employment demand and reducing labour supply

## Labour Supply Reduction

- In recent past recessions Labour Supply Reduction has come in three major forms
  - Increased Educational Participation (effects on individual and society broadly positive)
  - Early Retirement (limited costs to individual and society as people age into retirement)
  - Increased dependency on sickness/disability benefits (large costs to individual and society as very few return to the labour market)

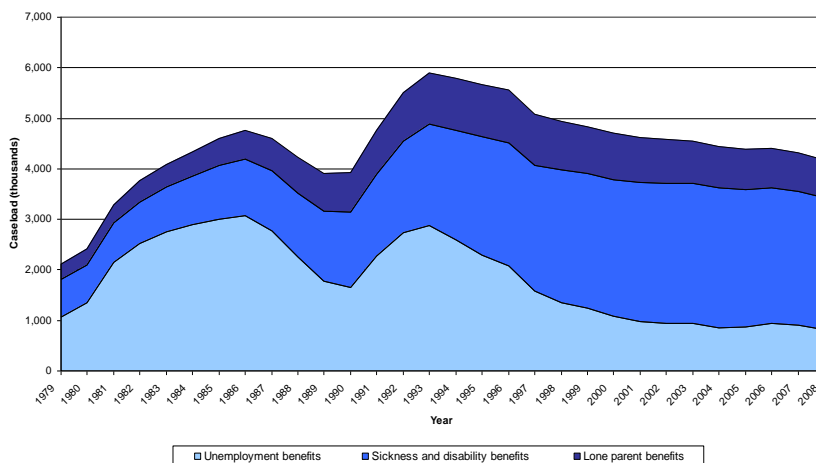
## Recessions and Sick+Disabled

- Three main drivers on increasing numbers of sickness and disability benefits during and shortly after recessions
  - Firms shed/reduce recruitment of marginal groups
  - Governments and medics allow easier entry on to S+D benefits due to shortage on jobs
  - Scarring effects from long-term joblessness (evidence of health impact, mental and physical)
- Drift into Invalidity draws disproportionately on LTU

## Hysteresis

- Unlike open unemployment rises in S+D benefit receipt is generally not reversed
- Four Problems
  - Initial barriers to employment – In most countries there is little no support
  - Long-dependency – which has damaging effects
  - No institutional engagement structure
  - Poor work incentives

## Numbers on Major Benefits in UK

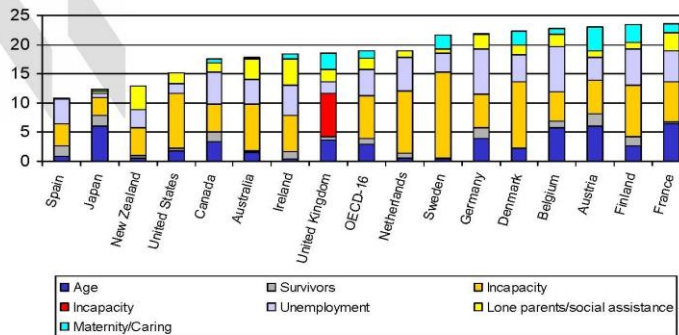


## Benefit receipt among people of working age, selected OECD countries, 2004

– Unemployment < 1/2 in all countries

**Benefit receipt in the UK is just below the OECD average**

% of working age population in receipt of income replacement benefits, full-time equivalents, 2004



OECD 4 OCDE

## UK Developing A New Strategy

1. Prevent build up/concentration of Unemployment on a small minority – Flexible New Deal and Job Guarantee
2. Reduce drift on to less active benefits – tighter assessment rules
3. Keep people engaged and supported on all benefits

## Keeping people engaged and supported on all benefits

- Unemployment benefit operates a shake out model – STU left unsupported till duration reveals problem group. Then invests in support this group etc.
- This is not appropriate for those with clear pre-existing barriers – who need support straight away, are not ready for job search conditionality and timing of when job search can start is uncertain and specific to individual
- **So We Need Another Approach**

## Keeping people engaged and supported on all benefits

- Sick disabled and some others all suffer significant barriers for a return to work.
- Job Search Conditionality increases entry into work for job ready – McVicar (2008), Manning (2001).
- But evidence for those less job ready is more worrying – Blank (2008) highlights how 20% of lone mothers are not in work or on welfare. Petrongolo (2005) – how new JSA regime drove some onto IB.
- **So We Need Another Approach**

## Keeping people engaged and supported on all benefits

- WECARE programme in NYC offers a Highly Flexible and Individualised package of support offered – based on medical and wider assessment of individuals needs
- Dutch Individual Re-Integration Accounts –IROs build in claimant voice in designing welfare support package – co-ownership
- Agreed Plan becomes conditional
- Popular with claimants, reduced conflict/sanctioning, good outcomes (some dispute of the extent of this).
- **Is this the other Approach?**

## UK concept: Progression to Work

- Almost everyone moving towards job search in a flexible co-owned route back to work within a personalised timeline from day 1 after entry onto S+D benefits (Employment Support Allowance).
- Adviser/claimant relationship is central
- Tailored to their capability and built around their circumstances – co-ownership
- Work Focused Interviews, Action Plans and Work Related Activity are fundamental and Conditional for benefit receipt
- Link up with effective support
- No required job search if not in plan and no requirement to take specific jobs