

**THE OECD THEMATIC REVIEW ON REFORMING SICKNESS AND DISABILITY POLICIES TO IMPROVE WORK INCENTIVES**  
**Round One (2005/2006) - Norway, Poland and Switzerland**

**COUNTRY NOTE of SWITZERLAND**

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**A. Introduction and main context**

**a) Forces shaping policy development**

- *The avowed public policy objectives, priorities and targets (e.g. regarding employment rates of disabled people, sickness absence rates, disability benefit levels, frequently used and misused pathways to exit the labour market, etc.)*
- *Particular groups of people that are of most concern in terms of keeping them in work and/or getting them back into work, and steps that have been or will be taken to improve their situation.*
- *The responsibility of the national government vis-à-vis the role of other actors, such as in particular regional and local governments as well as the social partners*

**1. Introduction**

The 4<sup>th</sup> and 5<sup>th</sup> Revisions of the Invalidity Insurance (IV) system which recently came into force or are still pending have significantly redefined its character<sup>1</sup>.

Below we provide an overview of Swiss legislative procedure and discuss the reasons behind the two above-mentioned revisions.

*A few words about the legislative process*

The legislative preliminaries are the following: the administration (in this case the Federal Social Insurance Office, FSIO) elaborates a draft act for consultation, which is presented to the Federal Council by the relevant Department (in this case the Federal Department of Home Affairs, DHA). The Federal Council then authorises the Department to start the consultation process. After the close of the consultation process the Federal Council drafts its Message and submits it to the two houses (National Council and Council of States). This marks the end of legislative preliminaries and the beginning of the parliamentary phase (debate in the relevant commissions and both houses).

*What triggered the 4<sup>th</sup> Revision?*

Demands for a 4<sup>th</sup> IV Revision were voiced primarily by organisations for the disabled and Parliament. The motion of the Social Security and Health Commission of the Council of States of 28<sup>th</sup> September 1994 (94.3377) called upon the Federal Coun-

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<sup>1</sup> At this point, we shall not examine the Federal Law on Discrimination against People with Disabilities (Law on Equal Opportunities for Disabled People, BehiG), which came into force on 1st January 2004 and which had a significant impact on the relevant public policy. For a more detailed look, please see Section D. 1.

cil to propose measures to consolidate and standardise IV implementation. The main focus at this time was on IV procedure and organisation. As far back as 1992, the umbrella organisation of private disability charities (DOK) submitted a paper with 20 proposals for a fundamental revision of individual IV benefits.

The FSIO had enough time to investigate this request in-depth and develop it further. At the end of 1995 the DHA decided to commission the FSIO to draw up a report on the basic aspects and planned measures of the 4<sup>th</sup> Revision for the Federal Council. The report proposed to split the revision into two parts. The first part concentrated on the financial consolidation of the IV through immediate additional funding (additional IV financing by shifting resources from the loss-of-income compensation scheme and specific austerity and cost-cutting measures. The second part was to focus on further consolidation of benefits, moderate expansion in certain areas and additional cost-steering measures which required further concretisation.

The refusal by popular vote of the first part of the revision in 1999 (caused primarily by the proposed abolition of quarter pensions) gave rise to a long legislative procedure. Eight years were finally to pass between the first steps in the 4<sup>th</sup> Revision in late 1995 and the entry into force of the revised IV law in early 2004

#### *What triggered the 5<sup>th</sup> Revision?*

During the parliamentary debate on the 4<sup>th</sup> IV Revision, the Social Security and Health Commissions of both houses (National Council, Council of States) submitted motions in late 2002 and early 2003. These called upon the Federal Council to evaluate the effectiveness of the measures introduced by the 4<sup>th</sup> Revision and counter the ongoing rise in the invalidity rate by measures taken as part of a new revision. Political pressure on the DHA increased, particularly from the moderate right-wing parties which demanded that the Department quickly draft a 5<sup>th</sup> Revision for consultation. The aim of this revision was a stricter control of benefits and measures to combat abuse of the insurance system. The debate on “fake invalids” became a central issue.

On 21 May 2003 the Federal Council requested the DHA to launch preliminaries for the 5<sup>th</sup> IV Revision without further delay, and present a draft law for consultation. Federal Councillor Couchepin first informed the public of the 5<sup>th</sup> Revision during a media conference on 26 May 2003.

The main political objectives of the Federal Council for the 2003–2007 legislative period are: to increase prosperity and ensure sustainability in Switzerland, to take the necessary steps to counter demographic challenges, and to consolidate the position of Switzerland in the world. For each of these aims it has formulated objectives and strategic priorities, which are to be substantiated in the annual objectives. The 5<sup>th</sup> IV Revision is a major objective, specified in the objectives for 2005.

## 2. The 5<sup>th</sup> Revision of Invalidity Insurance

The 5<sup>th</sup> Revision is intended as a response to the ever increasing number of IV pension recipients, which has risen uninterruptedly for years. The Invalidity Insurance system is unable to control this trend with the instruments it has at its disposal today. It cannot be denied that the circumstances of people who are unable to work due to health problems are often tackled much too late, i.e. only when the possibilities of re-integrating them in the job market are small or non-existent.

New measures are required to counteract this trend and consolidate the IV system. The 5<sup>th</sup> Revision aims **to reduce new pensions by 20 percent** (in comparison to 2003) in order to roll back IV expenses, create new occupational integration incentives for pension recipients, or correct **existing negative incentives**. These **austerity measures** should contribute significantly to the financial recovery of the system by reducing the annual IV deficit. Further measures are planned to optimise implementation structures and involve both employers and employees in overseeing implementation. Finally, an increase in IV contribution rates is also planned.

Today, pensions make up about 60 percent of IV expenses. Although the pension ensures material security, the status of “IV pension recipient” implies long-term or permanent (partial) exclusion from the job market, especially for the young. Effective IV legislation should combat the trend towards growing numbers of pension recipients not only for financial but also for social reasons. The Federal Council proposes a number of instruments to limit new pensions or maintain them at a low level (i.e. partial pensions) via rehabilitation measures. These instruments should reduce the number of new pensions by 20 percent (number of pensions in terms of full pensions for 2003). Integration measures are assumed to be effective in around 40 percent of cases, thus avoiding recourse to a pension. The new system would centre on early identification and intervention as well as rehabilitation measures. These would require additional financial resources but combat the causes of the growing pension trend.

Below we will discuss those measures of the 5<sup>th</sup> Revision that are intended to improve job market integration of the disabled or avoid their exclusion. For in-depth details see the Federal Council Message of 22<sup>nd</sup> June 2005 concerning changes to invalidity insurance legislation (5<sup>th</sup> IV Revision; BBl 2005 4459).

### 2.1 Early identification of the disabled to ensure their earliest possible reintegration

Indisputably, people who are unable to work for health reasons are frequently included in the IV much too late, i.e. at a time when their health status has deteriorated seriously, they are no longer part of the job market and their renewed integration poses serious problems. Conflicts between the various levels that administer IV and procedural problems draw out the application and granting of rehabilitation measures and other benefits. The aim of the planned model of early identification is to make contact with people whose earning capacity is impaired by their health status as early as possible, to investigate their personal situation and assess whether measures requiring an intervention by the IV should be taken to maintain the existing work relationship. The consultation procedure on planned legislation has also made it clear that this instrument should be introduced and implemented as extensively as possible, instead

of testing it first via pilot trials as originally planned. IV offices will be in charge of early identification.

Approximately 20,000 people are expected to be concerned by early identification.

## **2.2 Early intervention**

These new easily accessible measures (e.g. job adaptation, placement, or socio-professional rehabilitation) which should be implemented rapidly and without extensive preliminary investigation, should primarily enable people whose earning capacity is fully or partially impaired to keep their old job or find alternative employment with either their previous or new employer. Experience shows that early and targeted measures increase the probability of the person concerned keeping their job. Early intervention measures give more weight to the “rehabilitation before pension” principle. Employees whose earning capacity is impaired by sickness or as the result of an accident will be given concrete help and support by their IV office, with a focus on motivating them to retain their earning capacity. By cooperating with their IV office they prove their willingness to take responsibility for reintegrating the job market, with the support of qualified advisors.

Approximately 10,000 people who require intensive support are expected to be subject to these early intervention measures. The costs of these measures will be countered by savings through reduced pension expenditure.

## **2.3 “Rehabilitation instead of pension”: integration measures to prepare for professional reintegration and extension of the scope of professional rehabilitation measures**

Current IV rehabilitation measures – career guidance, basic vocational training, professional reorientation and placements – are often not the most effective instruments for the occupational rehabilitation of people with mental health problems or with poor professional qualifications.

The new integration measures to prepare those concerned for professional rehabilitation are socio-professional (e.g. adaptation to work processes, boosting of job motivation, stabilising of the personality, acquisition of social skills) as well as targeted occupational measures aimed at labour market integration. These measures will benefit policyholders whose earning capacity was reduced to at least 50 percent over a minimum period of 6 months. Such a claim can be investigated quite rapidly and thoroughly by the IV medical services. Those concerned will receive a daily allowance calculated on the basis of their previous earnings. These measures, like existing occupational rehabilitation measures, will only be granted in Switzerland. Early response to pension claims and a new focus by all concerned on rehabilitation, coupled with an explicit and binding obligation for insured parties to take active steps should ensure the optimal application of remaining earning capacity and effective integration in the job market. This shifts the aim of IV from “rehabilitation *before* pension to rehabilitation *instead of* pension”.

In addition, it is planned to link existing occupational rehabilitation measures to greater access to job placement measures and the possibility to receive subsidies during the initial vocational training or retraining period. These measures are important above all for people with mental health problems or lacking any professional qualifications, and should whenever possible exclude payment of an IV pension.

Approximately 5,000 people are expected to be subject to integration measures, which at the same time will reduce pension expenditure.

#### **2.4 Greater obligation to participate**

The duty of insured parties to participate and to avert, minimise or mitigate loss will be expressed in more concrete terms. Their new obligations and the sanctions they will be subject to if they fail to meet them will be precisely defined in the legislation. Failure to comply may lead to a reduction or refusal of benefits, including cash benefits (pensions or daily allowances) or in-kind benefits (early intervention measures, professional retraining, job placement, etc.).

#### **2.5 More difficult access to IV pensions due to changes in the notion of invalidity and pension entitlement**

The sharp increase in IV pensions is due above all to mental health and skeletomuscular problems (primarily back problems). It is often difficult to determine whether these are due mainly to impaired health or to other problems (e.g. social problems, poor education, aggravation etc.).

Alongside early identification, intervention and rehabilitation measures, access to IV pensions will have to be made more difficult. This will involve adapting the concept of invalidity and entitlement to pension claims.

##### *Adaptation of the concept of invalidity according to the ATSG*

The general part of the social insurance law (ATSG) which entered into force on 1<sup>st</sup> January 2003 provides a uniform definition of the term “invalidity” for all forms of federal social insurance – invalidity, accident, military and unemployment insurance. According to it, invalidity is “a full or partial earning incapacity that is likely to be permanent or to persist in the longer term”

The 5<sup>th</sup> IV Revision aims first to make explicit provision for the causal element in the ATSG invalidity concept. Second, it should reinforce the concept of what can be reasonably expected from an insured person (Zumutbarkeitsbegriff) as against current case law. In concrete terms, this means that:

- If earning incapacity was caused not by impaired health but by other factors (factors unrelated to invalidity, such as age, poor education, communication difficulties, substance abuse, socio-cultural circumstances, aggravation, etc.) invalidity pursuant to the terms of the law does not exist. This principle, stated repeatedly and clearly in the relevant case law ought to complete the existing concept of invalidity and be explicitly formulated in the law.
- The ATSG also newly states that earning incapacity may be assumed only if “objectively it cannot be overcome”. Thus the decisive element is whether one can objectively expect a person to continue working despite the health problems he or

she experiences subjectively (e.g. pain). The IV offices will have to judge what can be expected from an objective point of view, on the basis of medical information provided by regional medical services (RAD). A pension would thus be granted only when the insured party has taken all reasonable steps to avoid or reduce disability. This condition makes entitlement to a pension more difficult than current provisions.

- *Specifying IV pension claims*

Conditions for entitlement to an IV pension are now made more explicit. At present an IV pension is granted only when 40 percent invalidity subsists after a one-year waiting period with an average working incapacity of 40 percent. A new provision specifies that pension entitlement exists only when earning capacity or the capacity to assume certain tasks cannot in all likelihood be restored, maintained or improved by reasonable rehabilitation measures.

## **2.6 Beginning of claim to IV benefits, increase of minimum length of contributions**

In the future, the IV will finance integration measures to prepare those concerned for integration in the workforce and direct professional measures only as of registration with the IV, and not retroactively as is now the case. This should incite insured parties suffering long term health problems to register with the IV as early as possible, also in view of professional reintegration. The main advantage of this measure should lie in the early identification of concerned parties to prevent their situation from deteriorating.

From now on, entitlement to a pension would set in six months after registration with the IV at earliest. This means that IV pensions will no longer be paid retroactively as of the onset of earning incapacity which often goes back for years. In principle this new regulation does not make entitlement more difficult, but it should incite insured parties to register as early as possible with the IV in the event of prolonged illness.

It is also planned to increase the minimal length of contributions from one to three years for ordinary pension entitlement. This would avoid registration with the IV after just one year of residence in Switzerland.

## **2.7 Correcting negative incentives**

In certain cases the present IV system – on its own or in conjunction with other elements of the social security system – may lead to the disabled being in a better financial situation once their earning incapacity has been recognised and benefits granted than they were before. They are not financially interested in making use of their earning capacity, since this reduces their pension. The measures proposed should be an incentive for concerned parties to take an active interest in rehabilitation instead of avoiding it. The following two measures should counteract this negative incentive.

### 2.7.1 Adaptation of the IV daily allowance system

The 4<sup>th</sup> IV Revision introduced a new basic concept of IV daily allowances while retaining certain IV-specific characteristics. The new aim of the IV daily allowance should be to replace the loss of effective income caused by rehabilitation measures. Several modifications are planned in the current revision to achieve this aim.

- Adaptation of family benefit rates to 2% of the highest daily allowance rate (i.e. CHF 6 per day). Entitlement to family benefits will also be restricted to cases in which neither the insured party nor any other gainfully employed person such as a spouse receives family benefits or educational grants.
- Abolition of the guaranteed minimum: in principle, the guaranteed minimal IV daily allowance rate for people on a low income and those who are not gainfully employed will be abolished. People who care for children and who are subject to additional expenses caused by rehabilitation measures (e.g. salary of domestic help or child minders, cost of travel and lodging for children minded by third parties, nursery schools, etc.) will now receive compensation for such expenses.
- The lower limit for the reduction of daily allowances will also be abolished. In the future the IV daily allowance will be reduced if it exceeds the relevant earnings including family benefits and educational grants.
- Limit on the interim daily allowance: this benefit will no longer be paid indefinitely, but only over a 2 month period.
- No more entitlement to supplementary benefits for daily allowance recipients.

### 2.7.2 Avoiding loss of income in spite of increased gainful employment

Currently, IV pension recipients who make better use of their remaining capacity to earn a higher income risk the loss of or reduction in their pension. As a result, their total earnings may be lower although they work more. This false incentive should be done away with. As for supplementary benefits, only a fraction of the additional income will be taken into account.

## 3. Groups targeted by occupational reintegration

In recent years the greatest rise in the number of IV pension recipients was observed among disabled people who require special help with their occupational integration.

### 3.1 Increase of IV pensions per population group

**The proportion of weighted<sup>2</sup> IV pensions in the active population (18- to 62/64-year olds) has grown steadily in recent years:**

Year	1990	1995	2000	2002	2004
Percent	2.8 %	3.4 %	4.1 %	4.5 %	4.8 %

<sup>2</sup> "Weighted pensions" are full-pension equivalents, calculated as the sum of IV pensions weighted by their fractional amount (quarter pension = 25 %; half pension = 50 %; full pension = 100 %). This allows to infer the cost of these pensions directly from their reported number.

The increase in IV pensions (a total of 28,233 full pensions in 2003) varies according to age group. An above-average increase may be observed among the following groups:

- People aged 35 to 54
- People who are disabled for mental health reasons or skeletomuscular problems
- People in simple jobs and menial occupations: the categories “factory worker” and “building sector” have the highest disability rates. There is a higher probability of invalidity among employees than among the self-employed (approximately 3.5 times smaller risk).
- People with a lower level of general education and/or vocational training. Those with only mandatory schooling are more likely to become disabled than people with a higher level of education.

See the Message on the 5<sup>th</sup> Revision 1.1.2 and 1.1.3 for further details (especially graphs).

### **3.2 3.2 Which groups require special efforts to avert their professional exclusion or reintegrate them as rapidly as possible?**

The 5<sup>th</sup> IV Revision focused above all on the following two groups:

#### *People with mental health problems*

The professional rehabilitation measures provided by IV today – carer guidance, basic professional education, retraining, job placement, capital – are often inadequate to (re)integrate the rapidly growing group of people suffering from mental health problems. The IV does not provide socio-professional rehabilitation to restore the person’s reintegration capacity. But precisely such measures at the interface of social and professional integration might be the best way to create the pre-conditions for implementing professional rehabilitation measures for people with mental health problems.

#### *People with poor professional qualifications*

Existing professional rehabilitation measures have also proved insufficient for disabled people with poor professional qualifications, or none at all. Job-seeking assistance is granted only to people who cannot find a suitable job for health reasons, or whose invalidity places special demands on the job or on the employer. Until now the IV has not dealt with other difficulties in finding a job, such as a shortage of jobs on the market, for example. Menial workers who are fully employable in a simple occupation adapted to their disability were not entitled to claim job-seeking assistance from the IV. They are simply passed on to the unemployment insurance system. Owing to the difficult job market situation, menial workers with impaired health find it very difficult to find a new job which allows for their disability. They often lose their rights to unemployment benefits and suffer aggravation of their original health problems and/or psychological pressure due to their long unemployment. Such chronic conditions may finally lead to receipt of an IV pension.

#### 4. The role of the Confederation, the cantons, employers' and employees' organisations

Invalidity insurance (IV) is a federal social insurance scheme for all of Switzerland.

- The Federal Council supervises the implementation of the various social insurance schemes and thus bears the ultimate responsibility (see Art. 76 para. 1 ATSG).
- Concretely the IV is implemented by the 26 cantonal IV offices and the IV office for insured parties abroad.
- Cantons are in charge of the organisation of IV offices and hiring staff. In this respect IV offices are supervised by their cantonal governments.

Today employees' and employers' representatives are not directly involved in federal supervisory activities. Their role is only advisory and on a voluntary basis. This is inadequate, since over one third of IV funding comes from employees' and employers' contributions, which play an important role in IV implementation. A supervisory body for implementation tasks is now planned to ensure greater involvement of these two groups. This body will include representatives of the Confederation, and of employees' and employers' organisations.

Increasing the occupational integration of the disabled is a challenge for all social players. The Confederation establishes the legal framework. Employers should provide them with jobs instead of simply rationalising them out of the labour market. Everyone – employees and employers, physicians, insurers etc. – must assume their responsibilities and increase their efforts to ensure the success of greater professional rehabilitation measures.

#### b) Socio-economic context

- *The most relevant societal, economic and labour market pressures affecting labour demand for and labour supply of people with health problems or disability.*
- *Emerging issues and greatest challenges, currently and in the future, in the context of sickness and disability management (including e.g. the increase in mental illnesses, many of which **are stress- and work-related, and the role and power of treating doctors**).*
- *The most recent trends regarding the rates of labour force participation, employment and unemployment of disabled and non-disabled people, possibly by age and gender, the number of disabled people of working-age, and the number of sickness absence days and the rates of disability benefit recipients.*

### 1. The Swiss labour market

#### 1.1 The labour market in general

The Swiss labour market has changed profoundly in recent years. Only 26 percent of the work force are still employed in the industrial sector. The service sector is increasingly gaining ground, accounting for 72 percent<sup>3</sup> of the labour force in 2003. These developments have led to high job losses. The shift to the service sector and technical progress in the industrial sector make new demands upon the working population, af-

<sup>3</sup> Statistisches Jahrbuch der Schweiz 2004, p. 191.

fecting particularly less qualified workers, many of whom are migrants, workers in the non-German speaking parts of Switzerland, and women.

Since mid-2003 the number of unemployed and job seekers has remained stable, with no visible improvement in the job market situation.

The major trends observed in the last 10 to 20 years, generating rapid change can be summarised as follows<sup>4</sup>:

- The worldwide opening of markets ("globalisation") means increased competition for Swiss business. The general reaction is to rationalise.
- Increased automation of simple and repetitive functions imposes greater demands on the remaining workforce. Certain occupations which were once common no longer exist (so-called structural changes in the labour market).
- Unemployment leads to labour market disequilibrium.
- Many companies are modifying their socio-ethical attitudes: maximum profit ("shareholder value") supplants social responsibility.

## 1.2 The labour market for disabled people and recent relevant changes

Pensions for people with mental health problems have risen sharply in recent years, but confirmed data on the possible reasons for this development are scarce. Changes in the workplace, including accelerated and more intense work processes, rapid rotation of teams and managerial staff, decreased job security and excessive will to perform, are some of the reasons that are often invoked. In certain sectors, these assumptions seem to be confirmed by a marked rise in productivity and thus falling job numbers. Such trends, which are largely beyond the control of policy, have various consequences for IV<sup>5</sup>:

- *Health repercussions*  
Many people can no longer cope with the higher demands in the workplace (output, speed, flexibility). Overworked employees run an increased risk of becoming ill. The focus is on psychosomatic, somatic and mental health conditions, but physical diseases may occur in certain individual cases. Health risks also rise for unemployed people who spend months or even years looking for work. Depression plays a major role here. Such conditions continuing over extended periods of time or which become chronic may lead to invalidity.
- *Loss of "subsidised jobs" for less productive employees*  
10 or 20 years ago many people with health problems who could have been called "invalid" owing to their low output were integrated in the workforce by socially committed companies and paid a "social salary" that was enough for them to live on. They therefore had no reason to apply for a pension. As a result of ongoing economic rationalisation these "hidden" invalids are being excluded from the labour market and now require a pension.
- *Companies use the IV to solve structural problems*  
Many companies have to or want to make some of their staff redundant as part of restructuring measures. These often affect older employees with flagging produc-

<sup>4</sup> The remarks for the most part are based on a position paper issued by the umbrella organisation for private disability charities (DOK) in March 2004.

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tivity and adaptability. When early retirement is still not an option, registration with the IV and an IV pension is often seen as a means of alleviating or solving this social problem.

- *Structural changes in the labour market influence how invalidity is measured*  
 Certain simple and menial niche occupations are disappearing as a result of technical progress (e.g. messenger services). One may reasonably assume that even in a better economic climate they will not be reintroduced, and are thus no longer part of a labour market in equilibrium. This is essential to how invalidity is measured. Many with impaired health who were capable of carrying out menial jobs must now be considered as impossible to employ due to the high demands of the modern labour market.
- *However, no direct relationship has been observed between unemployment and IV pension numbers*

In view of economic trends in recent years one might be tempted to assume a link between unemployment and invalidity. Comparisons of data from the 1990s show that during years with low economic growth IV expenditure rose sharply. However, evaluations show no institutional, routine passage of unemployed people to the IV. The number of unemployed grew sharply until 1994, whereas the percentage of people who subsequently received an IV pension within two years remained stable at slightly over 2 percent. The relationship between unemployment and pensions weakened further during the following years.

## **2. Societal trends**

Certain societal trends today encourage illnesses that can cause increased invalidity<sup>6</sup>.

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<sup>6</sup> The remarks for the most part are based on a position paper issued by the umbrella organisation for private disability charities (DOK) in March 2004.

- *Increase of societal pressure*  
Due to societal changes, individuals today are more exposed to pressure and more often confronted with conflict situations. Alongside the increased pressure of the labour market, which has already been mentioned, there are changing interpersonal relationships (leading to more divorces, more single parents), more individual attitudes and more loneliness. All these circumstances can place people under great strain, increasing the risk of mental and psychosomatic diseases. This is particularly true when the social network (e.g. family, workplace, friends) is lacking or individuals are uprooted from their socio-cultural network (e.g. foreigners from countries and cultures which are very different from ours who find it difficult to integrate). Reactive mental conditions (neurosis, depression) caused by unresolved conflicts are the leading causes quoted in the statistics of new IV pension recipients, and are increasing at an above average rate.
- *Banishing taboos surrounding mental illness*  
The old taboos concerning mental illness made it possible to keep the number of invalidity cases arising from mental health conditions relatively low. Today people with impaired mental health find it easier to go to a specialist for treatment or to ask for a medical certificate which proves their incapacity to work. This may be due to the fact that there are more specialists in this area, especially in towns and cities; but the main reason is certainly that the fear of being socially “ostracised” has lessened.

### 3. Future challenges

The measures pursuant to the 5<sup>th</sup> IV Revision are intended to tackle the problems relative to the rise in the number of IV pension recipients. Various points are to be addressed:

- Improving rehabilitation instruments (with possible sanctions in the event of inadequate cooperation by the insured)
- Measures to encourage employers to employ disabled staff.

#### 3.1 Improving rehabilitation instruments and limiting pension entitlement under IV

**Improved rehabilitation instruments and curtailed access to IV pension** were already dealt with in the 4<sup>th</sup> Revision. They are at the heart of the current 5<sup>th</sup> Revision (see below B. b) 1.2.2).

#### 3.2 Measures encouraging employers to hire disabled staff

We must distinguish between various regulatory measures:

##### *Existing incentives in the Swiss social security system*

Occupational benefit plans (BVG) pay pensions which supplement those paid out by the IV. They are free to adapt their contributions to the damages they must pay, and are currently doing so to counter the growing numbers of pension recipients. A high invalidity rate may lead to a direct extra premium for a company whereas a low invalidity rate may lead to lower contributions. The daily sickness allowance system has a similar mechanism. The invalidity rate has a direct bearing on the premium level of-

ferred to a company. In addition, daily sickness allowance insurers can also terminate insurance contracts with “bad risk” companies, i.e. those with a high incidence of illness.

#### *Incentives in the invalidity insurance system*

There were incentives for employers already prior to the introduction of the 4<sup>th</sup> Revision: daily allowance for a maximum of 6 months while training for a new activity in a new job brokered by the IV office, and adaptation of the job. As a result of IV trends in the 1990s and in relation to planned revisions and legislative projects the focus was shifted to greater employer involvement. As of 1999 the issue of possible incentive systems for maintaining jobs or hiring employees with impaired health was examined explicitly and systematically. In the context of the 4<sup>th</sup> Revision as well as in preparation for the introduction of the Federal Law on Equality for Disabled People, ad hoc working groups investigated possible incentive systems to encourage the hiring of people with impaired health. Experiences in other countries were taken into account<sup>7</sup>. The results of both studies influenced the shape of the 4<sup>th</sup> IV Revision (see below B. b), 1.2.1).

In spite of existing incentives, the 4<sup>th</sup> and 5<sup>th</sup> Revisions intensively dealt with the stronger and more effective involvement of employers. The relevant debate made use of a new study by the University of Applied Sciences in Solothurn on the occupational integration of disabled people in Switzerland (FHSO, 2004) and a report by the umbrella organisation of private disabled charities concerning incentives for employers to hire people with impaired health (DOK, 2004).

The 4<sup>th</sup> Revision, which came into force on 1<sup>st</sup> January 2004, introduced the following incentives for employers:

- Active job placement measures and counselling in relation to holding on to an existing job (Art. 18 para. 1 IVG). This includes advising employers on general social insurance-related issues (Art. 41 f IVV).  
Active job placement requires more posts than previously assumed. The number of posts in IV offices will be increased in the near future so that job seeking assistance can be implemented effectively.
- General country-wide information on benefits (Art. 68<sup>ter</sup> IVG).  
The idea of a programme of information for employers has been discussed, but not implemented yet.
- Pilot trials for hiring disabled IV policy holders (Art. 68 quater IVG) will aim to gather further experience based on concrete examples of effective employer-related incentives.  
No such trials have been conducted yet, not only because the legal framework limits the range of possible approaches and the FSIO continues to apply a restrictive interpretation of these provisions. In spite of the general recognition that action should be taken, there is considerable scepticism concerning the actual steps to be taken.

The Message on the 5<sup>th</sup> IV Revision fine-tunes incentives:

- Practice has shown that hiring a health-impaired person may cause considerable additional expenses for the employer, particularly higher contributions to occupa-

<sup>7</sup> Cf. 1999 FSIO report “Anreizsysteme für Arbeitgeber zur Beschäftigung behinderter Mitarbeiter” and the 2001 seco report “Anreizmechanismen zur Beschäftigung behinderter Menschen”.

tional benefit plans or loss of income benefits. This is primarily the case when a person falls ill and thus heavily influences the risk curve of the insurance fund that pays daily loss of income benefits. Correspondingly higher contributions have to be shouldered by the employer and under certain circumstances by the insured party. Such higher financial risk for employers and employees should be compensated by the IV, if it is linked to higher contributions for occupational pension plans and loss of income insurance which were generated by the newly employed person (see Art. 18a para. 6 of the draft).

For the time being we do not have the necessary findings to deal with such compensation. Practical pilot trials based on Article 68<sup>quater</sup> IVG should collect practical results, enabling the Federal Council to formulate the relevant specific decrees. The Message on the 5<sup>th</sup> Revision is currently being discussed in Parliament, which has added further incentives for employers.

*Incentive systems pursuant to the Federal Law on Equality for People with Disabilities (BehiG)*

The Federal Law on Equality for People with Disabilities (Behindertengleichstellungsgesetz, BehiG, SR 151.3) of 13<sup>th</sup> December 2002, which also entered into force on 1<sup>st</sup> January 2004 contains an article on such pilot trials. According to this article, the Federal Council may order or back pilot trials that are limited in time to test incentive systems for the employment of disabled people (see Art. 17 BehiG).

### **3.3 Improved medical evaluation in the IV system**

The 4<sup>th</sup> IV Revision (entry into force 1<sup>st</sup> January 2004) established the legal groundwork according to which IV offices may have recourse to regional medical services (RAD) when evaluating medical entitlement to benefits. Since then the IV may have IV pension applicants examined by its own physicians. This possibility and RAD expertise in insurance medicine should pinpoint and consolidate the role of RAD in the 5<sup>th</sup> Revision. They are not only to evaluate the capacity or incapacity to work of people with impaired health, but will also be in charge of determining the degree of functional invalidity that will be binding for the IV. In concrete terms this means that the RAD will not only estimate the percentage of work incapacity for the IV office, but also establish a qualitative profile (acceptable occupations: what can the insured party still do?) and/or a disability profile (unacceptable functions: the things that the insured party can no longer do?) as well as a medically justified temporary sick leave.

#### **4. Optimal elimination of disadvantages caused by the current lack of coordination between various social insurance schemes**

Early identification and early intervention are recognised principles of effective rehabilitation. For this reason the formal process of receiving sickness insurance benefits should also determine the moment of intervention. In other European countries (e.g. Sweden, the Netherlands, Denmark, Germany) the social security system coordinates and informs the various social insurance schemes and sometimes also employers' and employees organisations. In most of these countries, rehabilitation and reintegration measures as well as cash benefits are administered by the same insurance system. Such integrated models also increase financial interest for insured parties to return to work as soon as possible.

Switzerland lacks such an integrated model, particularly in the event of illness.

- Already at the onset of illness there are usually two insurers involved (sickness and daily loss of income benefits). As a rule, they neither coordinate their work nor exchange information.
- To make things even more complicated, Swiss loss of income insurance is not mandatory and is offered both under social insurance legislation (KVG; SR 832.10) and private insurance legislation (VVG; SR 221.229.1).
- Early coordination of sickness insurance and IV is lacking notably because coordination in the event of sickness-related work incapacity is more complex than in the event of an accident, it being difficult to pinpoint the onset of illness. Those affected contact an IV office only after the illness, its treatment and the resulting incapacity to work have persisted for some time.

#### **5. Recent employment trends relative to the disabled**

Below are several statistical indications:

*The most recent trends regarding the rates of labour force participation, employment and unemployment of disabled and non-disabled people, possibly by age and gender:*

Unfortunately there are no data on gainfully employed disabled people. A single study was made in 2004 of invalidity pension recipients who in 1999 paid AVS contributions on salaried or self-employed income. People receiving unemployment benefits were considered salaried (unemployed salaried). This study showed that approximately one third of pension recipients declared some income from work for that year. We also have no information concerning the rate of unemployment among the disabled.

Labour force participation among the active population in a comparable group (aged 15-64) was 88% for men and 74% for women in 2004. The trend here is towards slightly lower labour force participation among men and slightly greater participation among women. More detailed information on the employment statistics of the Swiss Federal Statistics Office (SFSO) can be found under the following link:

[http://www.bfs.admin.ch/bfs/portal/de/index/infothek/erhebungen\\_quellen/blank/blank/statistique\\_de\\_l\\_emploi/uebersicht.html](http://www.bfs.admin.ch/bfs/portal/de/index/infothek/erhebungen_quellen/blank/blank/statistique_de_l_emploi/uebersicht.html)

For general data on unemployment in Switzerland and labour market trends, see the SFSO labour market statistics, at the following link:

<http://www.seco.admin.ch/themen/zahlen/arbeit/>

*Number of disabled people of working-age:*

There are no statistical data on the number of disabled in Switzerland, and thus no clear definition of disability. A health study, based on a very large subjective definition, estimates that approximately 15% of the population aged 15 and over claim to suffer from a long-term illness or disability. Detailed information is available on the Swiss Health Observatory homepage (see particularly health monitoring indicator 2.6.2):

<http://www.obsan.ch/monitoring/statistiken/d/index.htm>

*Number of sickness absence days*

According to the Swiss health study in 2002, men took 6.4 days sick leave and women 8 days (aged 15-64). Differences between cantons are considerable. Detailed information is available on the Swiss Health Observatory homepage (see particularly health monitor indicator 2.8.1.1):

<http://www.obsan.ch/monitoring/statistiken/d/index.htm>

*Rates of disability benefit recipiency*

We have no relevant information in the sense that the cumulative first and second pillar pensions would have to be accounted for. At present there are no data on the composition of a person's income, before the onset of invalidity.

<b>c) Evidence</b>
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- |  |
|--|
| <ul style="list-style-type: none"> <li>- <i>An overview of analyses on most pressing policy issues regarding, for example, barriers to labour force participation of disabled people, transitions from work into long-term benefit dependence, the role of various actors, and the coherence of public policy.</i></li> <li>- <i>An overview of recent analyses on the use of sickness and disability benefits as pathways to exit the labour market.</i></li> <li>- <i>An overview of recent evaluations of the effectiveness and the efficiency (e.g. in terms of a cost-benefit analysis) of public support and activation programmes.</i></li> <li>- <i>A detailed bibliography and internet-sites would be very useful, as well as an inventory of available data sources used by national analyses.</i></li> </ul> |
|--|

## 1. General considerations

Research findings on invalidity/disability are relatively scarce in comparison to other areas. Below you will find listed those findings and reports that may be relevant to the issue treated here.

## 2. National Research Program NRP 45 “Future problems of the welfare state”

National research programs should contribute significantly to finding solutions to major problems in contemporary society. The NRP 45 “Future problems of the welfare state” closed its activities at the end of 2004. It encompassed 35 projects grouped in four thematic modules: Labour market/unemployment; the welfare state; disability/invalidity and health. The disability/invalidity module examined whether and to

what extent Swiss legal regulations correspond to the needs of the disabled. Various projects dealt with the issue of stigmatisation and coping with everyday life by the disabled, and labour market participation opportunities. Several projects of the labour market/unemployment module also provided interesting pointers. They focused on the structure of the Swiss labour market, the possibilities of workplace integration and unemployment insurance and social aid measures for occupational integration. The results are available at:

<http://www.sozialstaat.ch/d/projekte/projekte.html>

The NRP 45 synthesis report gives a summary view of the programme: Gärtner/Flückiger 2005. Probleme des Sozialstaats: Ursachen, Hintergründe, Perspektiven. Synthesebericht. Zurich/Chur: Verlag Rüegger (pp. 57-90, with further reading references).

### **3. Research reports commissioned by the Federal Social Insurance Office (FSIO)**

As part of its specialised research, the FSIO commissions research on the scientific bases of relevant framework conditions, needs, the execution of legal provisions or the benefits and impact of socio-political instruments. This background knowledge is important for the operation of social insurance institutions. It provides political decision-makers with bases for their decisions and assists the FSIO in dealing with its current tasks.

As a rule the FSIO asks external experts or institutes to conduct such studies. The final reports are published in the FSIO “Social Security” series.

The link below lists the reports commissioned by the FSIO (see in particular the topics “Invalidity/Disability” and “Social Policy”, “Family and the national economy”):

<http://www.bsv.admin.ch/forschung/publikationen/d/index.htm#iv>

### **4. Other reports**

*Federal Social Insurance Office, Buri Markus (2000):* the effectiveness of occupational rehabilitation, published in *Soziale Sicherheit* 6/2000, pp 327-330

An evaluation of the data<sup>8</sup> shows that of the 4,500 people who benefited from occupational rehabilitation measures in 2000, 72 did not receive a full pension until the end of 2002, i.e. they were able to at least partly support themselves<sup>9</sup>. In cases of congenital invalidity, measures appear to be the least effective. The effectiveness of measures in the event of sickness-related invalidity appears to be average, with sickness due to mental ill-health also showing below average effectiveness (56 %). Occupational rehabilitation in cases of disability caused by an accident on the other hand shows above-average effectiveness. These results have remained stable over recent years (see Message on the 5<sup>th</sup> IV Revision, 1.1.3.7).

*European Foundation for the Improvement of Living and Working Conditions 2004):* Employment and disability: Back to work strategies.

<http://www.eurofound.eu.int/publications/files/EF0499DE.pdf>

<sup>8</sup> These data refer to occupational measures which were concluded between 1997 and 2000. The effectiveness of a measure was shown when it prevented the receipt of a full pension.

<sup>9</sup> People, preparing for their integration in the workplace through sheltered employment were not included in this study.

*ISSA (2002): Who Returns to Work and Why?*

A Six-country Study on Work Incapacity and Reintegration, Frank s. Bloch & Reink Prins, Editors, 2001

The document gathers the results of a comparative study on work incapacity and reintegration conducted by the International Social Security Association (ISSA) and analyses their importance for policy. For further information on the project: <http://www.issa.int>

The new comparison on work reintegration in six industrialised countries (Denmark, Germany, Israel, the Netherlands, Sweden and United States) shows that among people whose work incapacity is caused by back problems, those aged up to 24 find it very difficult to reintegrate. This means that Switzerland is by no means isolated in that it shows a critical trend towards growing numbers of young IV pension recipients (see Message on 5<sup>th</sup> IV Revision, 1.1.2.1, footnote 8, and. 1.1.3.6).

More information is available at: <http://www.issa.int>

*Nationale Gesundheitspolitik Schweiz (February 2004): Psychische Gesundheit – Nationale Strategie zum Schutz, zur Förderung, Erhaltung und Wiederherstellung der psychischen Gesundheit der Bevölkerung in der Schweiz (draft opinion, particularly pages 106+71):*

The “national strategy to protect, maintain and restore mental health in Switzerland”, developed in 2004 by the Confederation and the cantons as part of Swiss National Health Policy provides for the coordination of measures to reduce the consequences of inadequate early intervention following the onset of mental problems linked to chronic conditions and the risk of invalidity. The recommendation is that employers and social insurance institutions (sickness, loss of income, invalidity and unemployment) should develop and implement concerted early intervention models to reduce mental anguish in the early stages of the illness and reduce the risk of a curtailment in earning capacity. Facilitated access to suitable treatment and preventive measures dispensed in a professional setting may avert invalidity. The planned 5<sup>th</sup> Revision is in tune with the mental health strategy (see Message on 5<sup>th</sup> IV Revision, 1.1.3.1).

*Office cantonal de l'inspection et des relations du travail (March 2000): Mortalité prématurée et invalidité selon la profession et la classe sociale à Genève.*

A study published in the canton of Geneva in 2000 examined the connection between profession and sector and disability rate and mortality<sup>10</sup>. The study dealt with the male population in the canton aged 45 to 65, classified according to 28 sectors and/or occupations. The rate of invalidity was calculated on the basis of the number of full pension recipients (see Message on 5<sup>th</sup> IV Revision, 1.1.3.4).

*Hefli Christoph und Stefan Siegrist (April 2004): Invalidität nach Branchen und Tätigkeit, Blöchlinger, Stähelin & Partner*

The study, commissioned by the FSIO, examined the risk of invalidity according to sector and occupation among new IV pension recipients in 2003 in seven cantons (Basle-City, Berne, Geneva, Jura, Schwyz, Ticino and Uri). It confirms that the risk of invalidity fluctuates strongly from one sector to the other. For the surveyed group, the likelihood of invalidity (against percentages of all gainfully employed in the said sec-

<sup>10</sup> Office cantonal de l'inspection et des relations du travail, “Mortalité prématurée et invalidité selon la profession et la classe sociale à Genève”, March 2000.

tor), went from factor 1 to 5 depending on sector. Education, agriculture and forestry, and the mining and quarrying industries had the lowest rates of invalidity; while the civil service and social insurance sectors, and construction and civil engineering had the highest (see Message on 5<sup>th</sup> IV Revision, 1.1.3.4).

*Edgar Baumgartner, Stephanie Greiwe, Thomas Schwab (October 2003): Der Umgang der Betriebe mit Behinderung, University of Applied Sciences Solothurn.*

The study examines the factors that facilitate or hinder integration from the employers' point of view. Companies name the shortage of open jobs, possibly limited work capacity and the risk of absenteeism among the disabled as the primary obstacle, followed by additional work engendered by assisting disabled employees, and the fear of not receiving sufficient external support. Negative reactions from customers or staff are not seen as significant obstacles. The study also shows that informing, advising and backing companies are essential to reintegration. Existing state measures (particularly financial incentives for companies to retrain or hire disabled people, counselling, coaching) are considered useful by companies, but that these often ignore existing options. Most companies (76%) claim to be inadequately informed. Closer cooperation with companies and their representatives is required (see Message on 5<sup>th</sup> IV Revision, 1.1.3.4).

*DOK (2004): Anreize für Arbeitgeber zur Beschäftigung von Menschen mit Behinderung*

The disabled charities' umbrella organisation examined various incentive systems to encourage employers to hire disabled people. Their final conclusions basically confirm the direction taken by the 4<sup>th</sup> and 5<sup>th</sup> Revisions. The DOK concludes that more effective reintegration of workers with impaired health can be achieved by making better and more extensive use of already existing instruments.

*Seco (2001): Anreizmechanismen zur Beschäftigung behinderter Menschen*

*FSIO (1999): Anreizsysteme für Arbeitgeber zur Beschäftigung behinderter Mitarbeiter*

Both the FSIO and the seco studies conclude that – at least in the short term - new large-scale incentive measures will not significantly influence the occupational reintegration of people with impaired health (quotas, flat rate financial incentives, tax breaks, etc.). Both groups of experts agree that reintegration should be encouraged via a more active implementation of existing incentives and that these instruments should be extended in targeted fashion, for example by directly addressing employers via information, counselling, backup, and training subsidies. New sweeping, non-targeted incentive systems that are relatively new for Switzerland (quotas, tax cuts, etc.) were deemed rather ineffective by our experts.

*University of Applied Sciences, Solothurn (FHSO, 2004): Die berufliche Integration von behinderten Personen in der Schweiz*

The study again demonstrates the importance of providing employers with exhaustive information on existing instruments, with coaching options and with targeted support.

## **5. Other relevant links**

Mention must be made of the *Report of the Control Committee of the Council of States (CC-S) of 19 August 2005 "Rentenwachstum in der Invalidenversicherung: Überblick über die Faktoren des Rentenwachstums und die Rolle des Bundes"*. The report of the Council of States supervisory commission has three appendices, the first two of which are of particular relevance:

- Appendix 1: Parliamentary Control of the Administration (PCA) "Faktoren des Rentenwachstums in der Invalidenversicherung" (Factors behind the rise in invalidity insurance pensions)
- Appendix 2: Expert report by the Interface Institute for Political Studies commissioned by the Parliamentary Control of the Administration "Evaluation der Rolle des BSV in der Invalidenversicherung" (Evaluation of the role of the FSIO in invalidity insurance)

The CC-S report and the three appendices were published and thus freely accessible to all interested parties. They can be downloaded from the CC-S or the PCA Homepage. Appendices 1 and 2 both have an English summary.

<http://www.parlament.ch/homepage/ed-berichte-parl-org/ed-pa-berichte-parlament-aufsichtskommission/ed-pa-berichte-parlament-aufsichtskommission-2005.htm>

Swiss Federal Statistical Office homepage: <http://www.bfs.admin.ch/>

Message on 5<sup>th</sup> Revision:

<http://www.bsv.admin.ch/aktuell/presse/2005/d/05062201.htm>

The Psychiatric University Hospital Zurich (PUK) is currently taking part in the *European Multicenter study "Equolise"* which runs projects in the UK, the Netherlands, Germany, Italy and Bulgaria. It also evaluates the work of a new office specialising in offering the disabled job-seeking assistance. In a long-term study "Social integration and quality of life of people with mental health problems" the PUK examines possible solutions to the current situation as well as the scope of the disabled population's integration in the workforce. The results are expected to be published in 2005 or 2006.

The Swiss Health Observatory – an initiative of the "National Health Policy" project – is currently setting up a *Swiss Health Monitoring* project to systematically and over time observe the health of the Swiss population and the health care they receive. The monitoring project is backed by other projects such as a situation report on "The epidemiology of mental health problems in Switzerland" and "An analysis of basic data on in-patient psychiatric treatment in Switzerland".

Internet link:

<http://www.obsan.ch/>

## **B. Income support programmes**

### **a) Programme characteristics**

- *Overview of the rules regarding social benefits and tax benefits for sick and disabled people, capturing the following benefits: sickness benefits; disability pensions; other disability benefits (i.e. safety net); transitional benefits (e.g. rehabilitation benefits); work injury benefits; tax benefits (such as refundable tax credits*

*or tax allowances for disabled people); other benefits aimed at compensating disability-related costs.*

- *Please capture the following items in describing social and tax benefits: Conditions of eligibility, entitlements and coverage; level and duration of payment; (re)assessment procedures (administration, strictness of medical assessment and geographical diversity in rules or outcomes); funding structures; means- and work-testing issues etc.*

## **1. Preliminary remark**

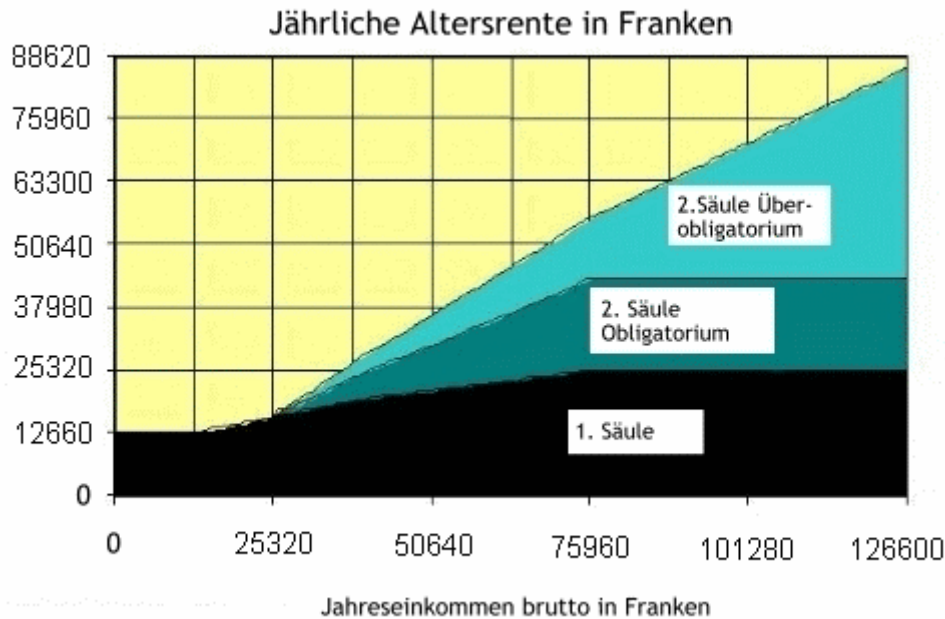
An overview of the Swiss social insurance system (also in English) can be found at: [http://www.bsv.admin.ch/int/media/d/uebersicht\\_soziale\\_sicherheit.pdf](http://www.bsv.admin.ch/int/media/d/uebersicht_soziale_sicherheit.pdf)

## **2. The Swiss three pillar principle**

To fully understand the following presentation on the Swiss social insurance system, and particularly old-age and invalidity insurance, one must first grasp the basics of the three pillar principle. In relation to old-age provision, the AHV and IV together make up the first pillar, i.e. a state pension. These are intended to cover the basic needs of the recipients. In special cases, those eligible may also receive supplementary benefits (EL) to top up the basic state pension.

The first pillar is supplemented by benefits from the pension fund and those from the occupational old-age, survivors' and invalidity pension scheme (BVG). This constitutes the second pillar. These two pillars guarantee at least 60% of the final salary earned by the person prior to retirement. The second pillar enables pension recipients to maintain the standard of living to which they have become accustomed. The first pillar is mandatory for everyone, including the self-employed and those who are not in gainful employment, such as stay-at-home parents. The second pillar is mandatory for employers and employees only. The third pillar – individual private providence measures to cover additional needs – is a voluntary pension scheme. Unlike normal savings, it brings certain tax benefits.

The three pillar principle has been inscribed in the Federal Constitution since 1972 and aims to cover the needs of the retired population.



### 3. Social insurance benefits relative to sickness, accidents and invalidity

#### 3.1. Sickness insurance

See Point 1 of the Overview above.

#### 3.2 Accident insurance

See Point 1 of the Overview above.

#### 3.3 Invalidity insurance

See Point 1 of the Overview above. To better understand this topic, we shall take a closer look at certain aspects of the invalidity insurance system.

##### 3.3.1 Individual and collective benefits

Invalidity insurance offers two types of benefits:

- Individual benefits: rehabilitation measures and cash benefits (cf. Point 1 of the Overview (see above));
- Collective benefits: grants to institutions and private organisations for the disabled:  
The IV provides collective benefits relative to school, occupational, and occasionally social integration. They are generally closely linked to individual IV benefits. Collective benefits include:
  - Grants to cover construction and operating costs of institutions and public workshops which offer mainly rehabilitation measures;

- Grants to public or private charitable workshops for the long-term employment of the disabled;
- Grants to residential homes and day-care centres for the permanent or temporary care of the disabled;
- Grants to the umbrella organisations of private institutions and specialist staff training centres.

As part of the NFA reforms (reorganisation of financial equalisation and redressing the balance of power between the federal and cantonal authorities), the cantons will be in charge of administering and financing most of these areas as of 2008. Consequently, only private providers of care for the disabled will continue to receive funding from the Confederation.

### **3.3.2 The term “invalidity”**

The IV today provides benefits when invalidity or the direct threat of invalidity exists. In accordance with the federal law on the general part of social insurance law (in force since 1<sup>st</sup> January 2003), disability is defined as "a full or partial earning incapacity that is likely to be permanent or persist in the longer-term". This is understood to mean "continuing full or partial loss of ability to take up employment in the relevant job market due to impaired health in spite of reasonable treatment and rehabilitation". Earning incapacity also refers to the inability to carry out day-to-day activities (e.g. housework, child rearing, and education).

There are three disability criteria: impairment to health (regardless of whether it is congenital, illness-related or accident-related) leading to earning incapacity (medical criterion), a permanent or longer-term earning incapacity (economic criterion), and a causal link between them

The 5<sup>th</sup> IV Revision makes several changes in this area:

- Introduction of early detection and early intervention measures – invalidity does not have to exist.
- Rehabilitation measures: a “threat” (rather than “direct threat”) of invalidity, to be eligible for IV benefits.
- Extension of rights to claim job seeking assistance: there must be a proven incapacity to work.
- A clearer definition of “invalidity” as used in the ATSG.

### **3.3.3 Administration of the IV system**

Unlike the sickness and accident insurance systems, the IV does not have independent insurance funds, which are the sole providers of insurance cover for a given group of policyholders. The task of administering the IV system falls to the IV offices, the FSIO and the AHV bodies (compensation offices and the Central Compensation Office). This means that it is highly complex in terms of its organisation. However, it can be summarised as follows:

*IV offices*

As a general rule, the 26 cantonal IV offices and IV offices for policyholders living abroad decide on who is eligible for benefits. The cantonal IV offices are subject to federal expert, administrative and financial supervision, which is carried out by the FSIO<sup>11</sup>. The cantonal IV offices are autonomous in terms of their internal organisation and their personnel policy. The FSIO cannot issue any instructions with regard to these two areas. Each canton has its own IV office which operates independently from the cantonal administration. This office has its own legal staff in the form of an independent cantonal public law institution. The special IV office for policyholders living abroad is attached to the Central AHV Compensation Office, itself part of the general federal administration.

#### *Federal Social Insurance Office (FSIO)*

The FSIO decides on eligibility for collective benefits (see Point 3.3.1 above). It concludes tariff agreements with service providers (e.g. hospitals, appliance suppliers or doctors). Also, with the collaboration of the compensation offices and the IV offices, it may claim third party liability (called “regress”) and is legally entitled to lodge a complaint with the Federal Insurance Court (EVG). The FSIO, with assistance from the CCO, processes the statistical data concerning the administration of the IV insurance system. In addition to these executive duties, the FSIO is also responsible for the expert, administrative and financial supervision of the implementing bodies as well as the drafting of the relevant legislation.

#### *Compensation offices (CO) and Central Compensation Office (CCO)*

The AHV institutions (compensation funds and central compensation offices) collect insurance contributions and pay out all IV insurance benefits, including pensions and daily allowances. IV income and expenditure are balanced by the AHV compensation fund.

### **3.3.4 Some statistics on IV pensions and probability of invalidity**

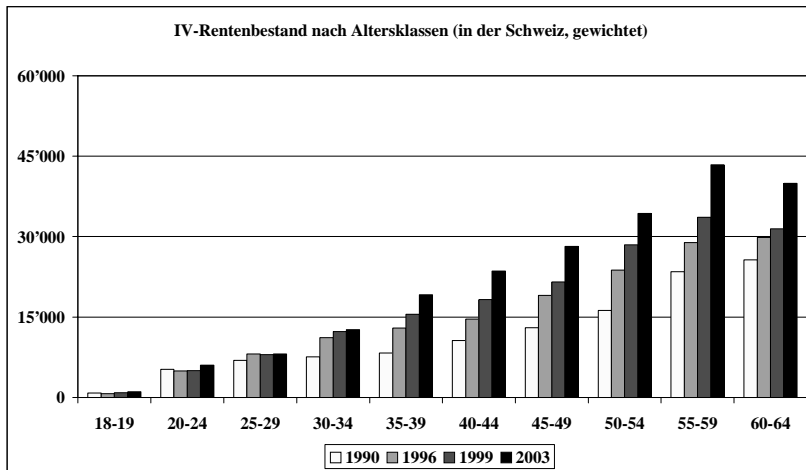
#### *Development in the number of IV pensions*

In 2003, the 26 cantonal IV offices ruled on 43,992 pension applications. These comprise 19,419 full pensions, 9,657 half pensions and 2,592 quarter pensions. In 12,324 cases, the pension was refused. The IV offices also checked 44,799 existing pension recipients. For 36,726 people, the pension remained unchanged. For 4,910 the pension was increased, while 1,234 people had their pension reduced. 1,929 had their pension withdrawn completely.

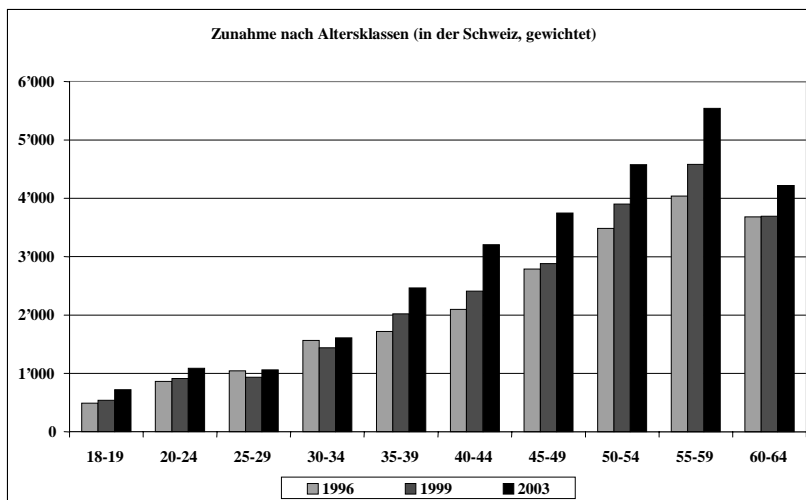
The following graph shows the number of IV pension recipients in Switzerland at different points in time. For the 1999-2003 period, which could not be taken into account in the Federal Message on the 4<sup>th</sup> IV Revision, there was a dramatic rise in the number of IV pension recipients:

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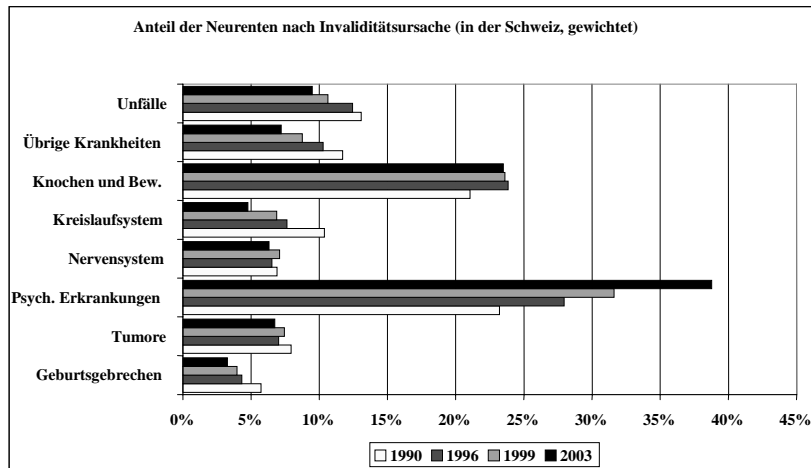
<sup>11</sup> Expert supervision involves issuing general or individual directives as well as management checks on each IV office. Administrative and financial supervision is concerned with checking and authorising the job charts, budgets and annual accounts of each IV office (cf. Art. 92 and 92<sup>bis</sup> IVV).



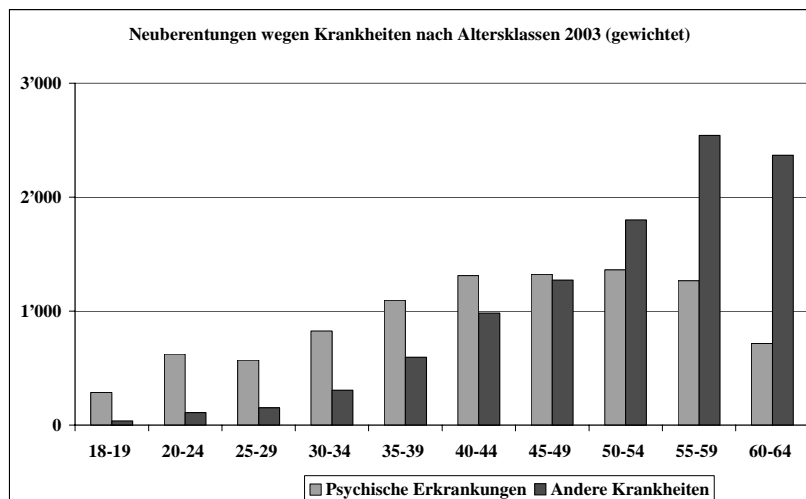
The graph below clearly shows that the rise in pension recipients (total of 28,233 full pensions in 2003) varies according to age group. The 35–54 age group shows an above-average increase. This is particularly significant from a financial perspective, as the younger people are when awarded an IV pension, the longer they will be recipients.



Between 1990 and 2003, pension eligibility was decided on the following health grounds:



What is striking here is the dramatic increase in the number of people whose invalidity is due to psychological problems. The largest share of new pension recipients falls under the category that includes psychoses, neuroses and personality disorders. An analysis of new pension recipients according to age group whose invalidity is illness-related reveals that among new IV pension recipients from the 18-19 age group right up to the 40-44 group invalidity is due more to psychological ailments than any other illness:



The second most important cause is musculoskeletal disorders; in 2003, this was the cause of invalidity for 23 percent of new pension recipients.

An analysis in 2004 of new (weighted) pension recipients according to gender shows that fewer women received a pension than men (44% and 56% respectively), even though women make up 51% of the working population.

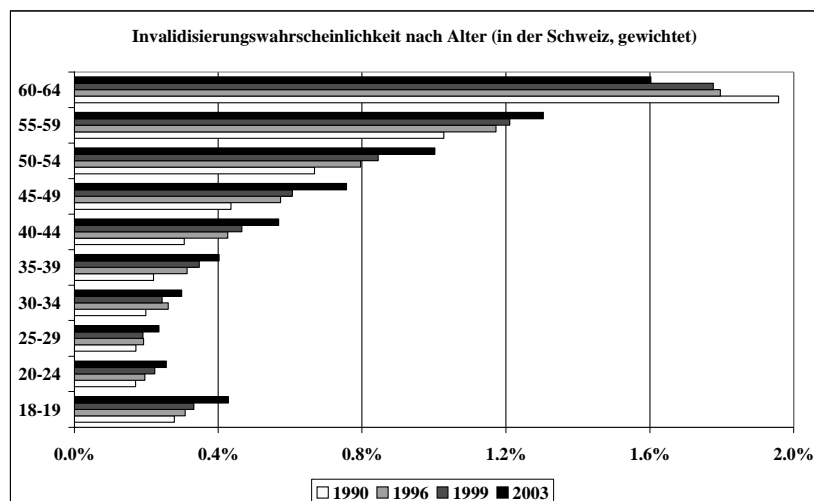
#### New pension recipients in 2004 (weighted) according to the most significant causes and gender

Cause	Women	Men
Accidents	30 %	70 %
Other illnesses	38 %	62 %
Musculoskeletal disorders	42 %	58 %
Circulatory system	21 %	79 %
Nervous system	42 %	58 %
Mental illness	50 %	50 %

Tumours	46 %	54 %
Childbirth-related ailments	47 %	53 %
All	44 %	56 %

### *Probability of invalidity*

The probability of invalidity is calculated by tracking the number of pension recipients over time and comparing this number to the insured population<sup>12</sup>. This varies widely according to age and gender. The following graph shows the probability of invalidity per age group:



If we consider probability across the board (men and women across all age groups), we arrive at the following probability of invalidity and the total number of new pension recipients in Switzerland:

	1996	1999	2003	2004
Invalidity probability (in per cent)	0.51	0.55	0.60	0.55
Number of new pension recipients	21 800	23 300	27 100	25 200

Given the developments observed in both 2004 and in the first quarter of 2005, an average invalidity rate of around 0.55 percent can be projected for 2005; this is equivalent to around 25,550 fully weighted new pension recipients. If projected for the year 2025 at a rate of 0.55 per cent, there would be around 305,000 recipients of a full pension in Switzerland.

### **3.4 Occupational insurance**

When invalidity results from an accident or illness as applied in invalidity insurance, the pension fund will provide an invalidity pension as well as child invalidity pensions. These continue to be paid out after reaching retirement age. To calculate the invalidity pension, a projection is made of a person's probable old age provision: possible old-age credits – excluding interest – are added to the old age provision saved up to the moment when the insured event occurred.

<sup>12</sup> "At-risk population": 1990–2000: Men aged 18 - 64, women aged 18 - 61; as of 2001: Men aged 18 - 64, women aged 18 - 62.

The BVG envisages the following benefits:

- Invalidation pension: a person must have an invalidity level of at least 40% to be eligible<sup>13</sup>:
  - o 40% invalidity: quarter pension
  - o 50% invalidity: half pension
  - o 60% invalidity: three-quarter pension
  - o 70% invalidity: full pension
- Child pension

Depending on the conditions set out in the regulations of the given pension fund, claimants may ask for their pension capital to be paid out (single lump sum payment).

In this situation, it is important to prevent over-compensation. Therefore, the pension fund may reduce survivors' and invalidity benefits, insofar as they, together with other allowable income, are in excess of 90 percent of the projected loss of earnings. According to the BVG, invalidity and survivors' benefits are only awarded insofar as they, together with other income, do not exceed 90 percent of the projected loss of earnings.

#### *Development in the number of BV invalidity pension recipients*

People who are covered by the invalidity insurance scheme do not necessarily have an occupational benefit plan (second pillar). For example, anyone who has never been gainfully employed is not covered by the second pillar. Nevertheless, the number of second pillar invalidity pension recipients has also markedly increased. Between 1992 and 2002 the number of pension recipients rose by around 6.9 percent on average, from 61,000 to 118,000. The total amount of invalidity pensions paid out rose from CHF 800 million to CHF 2 billion. This is equivalent to an annual increase of approximately 9.3 percent. Lump sum settlements are not included in these figures, since no data are collected on these.

#### **Number of BV invalidity pension recipients for 1992–2002 period and growth rate**

	1992	1994	1996	1998	2000	2002	Average annual growth rate
Number of invalidity pensions	60 597	69 761	80 023	92 246	102 504	117 592	6.8 %
Total invalidity pensions (in CHF mn)	819	1022	1224	1546	1673	1986	9.3 %

Source: SFSO, Pension fund statistics 1992–2002.

### **3.5 Supplementary benefits**

<sup>13</sup> cf. Clause f of the 3 October 2003 transfer conditions of this change (1st BVG Revision: Invalidity pensions, which were issued prior to the entry into force of this legislative change, are subject to the present law (para. 1). For the two years following the entry into force of this legislative change, invalidity pensions will remain subject to the law, as set down in Article 24 of the Constitution of 25th June 1982 (para. 2). If the level of invalidity is lowered during the revision of a current pension, this pension remains subject to the previous law (para. 3). Three-quarter invalidity pensions were only introduced after the entry into force of the 4<sup>th</sup> IVG Revision of 21<sup>st</sup> March 2003 (para. 4). Renten, die nach dem Ablauf von zwei Jahren nach Inkrafttreten dieser Gesetzesänderung entstehen und die gestützt auf Absatz 4 noch als ganze Renten entstehen, werden bei Inkrafttreten der 4. IVG-Revision in dem Mass in Dreiviertelsrenten umgewandelt, als sie auch in der Invalidenversicherung zu Dreiviertelsrenten werden (Abs- 5) Pensions which are issued later than two years after the entry into force of this legislative change and pensions considered as full pensions based on Para. 4 will become three-quarter pensions following the entry into force of the 4<sup>th</sup> IVG Revision, (para. 5). ?????????????? [Translator's note: there seems to be a problem with the German sentence].

Where the federal old-age, survivors' and invalidity insurance (i.e. the first pillar, see Point 2 above) does not cover basic needs, the Confederation can provide the cantons with subsidies to help fund supplementary benefits (cf. Art. 196 of the Federal Constitution, Section 10, as well as Point 1 of the aforementioned Overview).

#### **4. Tax benefits?**

##### **4.1 Federal Law on Direct Federal Taxes (DBG, SR 642.11)**

The Confederation collects a direct tax in the form of income tax levied on all individuals. All recurring and one-off sources of income are subject to income tax. In principle, any income from the IV, occupational insurance and daily allowance insurance is taxable. Pursuant to federal legislation there is no direct federal tax on income received in the form of AHV/IV supplementary benefits (EL) or on subsidies from public or private resources (i.e. social welfare income).

Under certain conditions, sickness and accident costs as well as disability-related costs can be deducted from an individual's taxable income. The Federal Law on Equal Opportunities for the Disabled (cf. Art. 33 para. 1 h and h<sup>bis</sup> DBG) has introduced new changes with regard to tax deductions.

The DBG also imposes a tax on legal persons (i.e. companies). However, there are no specific tax benefits of note here.

##### **4.2 Federal Law on Military and Civilian Service Exemption Tax of 12 June 1959 (WPEG, SR 661)**

The Federal Law on Military and Civil Service Exemption Tax of 12 June 1959 (WPEG, SR 661), obliges Swiss citizens, who do not or only partially fulfil their compulsory military service (either in the army or in a civilian capacity), to pay compensation. Under certain conditions, the disabled are exempt from this type of tax.

##### **4.3. Cantonal tax laws**

In addition to direct federal taxes, the cantons also collect their own taxes. In the context of the present report, there is no information on individual cantonal regulations that are particularly relevant.

<b>b) Recent reforms and reforms under construction</b>
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- |   |
|---|
| <ul style="list-style-type: none"> <li>- <i>Major changes during the last five years to any of the programmes described above as well as current reform plans.</i></li> <li>- <i>Explanation why these reforms had been implemented and what issues ongoing reform is seeking to address.</i></li> <li>- <i>Brief assessment as to whether the objectives of the reform have been met.</i></li> </ul> |
|---|

## **1. Significant reforms in the last five years**

### **1.1 Sickness and accident insurance**

There are no significant revisions which are of particular relevance in this context.

### **1.2 Invalidity insurance**

There are two important legal revisions:

#### **1.2.1 4<sup>th</sup> IV Revision**

##### *Overview of changes to laws and decrees*

*Change to the Federal Law on Invalidity Insurance (IVG, SR 831.20)*

Federal Message of 21 February 2001 on the 4<sup>th</sup> Revision of the Federal Law on Invalidity Insurance (4<sup>th</sup> Revision).

<http://www.bk.admin.ch/ch/d/ff/2001/3205.pdf> (Message, German)

<http://www.bk.admin.ch/ch/d/ff/2001/3323.pdf> (Draft law, German)

<http://www.bk.admin.ch/ch/f/ff/2001/3045.pdf> (Message, French)

<http://www.bk.admin.ch/ch/f/ff/2001/3167.pdf> (Draft law, French)

Changes to the law passed by the National Council and the Council States on 21<sup>st</sup> March 2003:

<http://www.bk.admin.ch/ch/d/ff/2003/2745.pdf> (German)

<http://www.bk.admin.ch/ch/f/ff/2003/2429.pdf> (French)

*Change to the Decree on Invalidity Insurance Support (IVV, SR 831. 201)*

<http://www.bk.admin.ch/ch/d/as/2003/3859.pdf> (German)

<http://www.bk.admin.ch/ch/f/as/2003/3859.pdf> (French)

The 4<sup>th</sup> IV Revision (law and implementing decree) entered into force on 1 January 2004.

##### ***Changes in content***

The 4<sup>th</sup> IV Revision had four main objectives: contribute to the financial consolidation of the IV scheme, targeted benefits' adjustments, strengthening the supervisory role of the Confederation, as well as improving and simplifying the IV structure and system. We shall only refer to these changes (*in italics*) and not explain them in full.

### *Financial consolidation*

- Abolition of the pension supplement for spouses (however, those who received a pension supplement at the time when the revision came into force will continue to do so);
- Abolition of hardship pensions and creation of a right to claim supplementary benefits (EL) for recipients of quarter pensions;
- *Greater cost control through the introduction of demand planning for institutions working with the disabled;*
- *Legal basis for the funding of research work.*

### *Targeted adjustments to benefits*

- Introduction of a standard helplessness allowance to replace the existing miscellaneous IV care and support benefits. Increasing the allowances at the disposal of disabled people living at home and not in an institution should encourage independence and foster their self-determination. A special helplessness allowance was created for people with a psychological ailment or with a slight mental disability to assist them with the practicalities of day-to-day life. A three-level intensive care allowance was also created for minors who particularly require such care.
- Re-design of the IV daily allowance system: more modern, transparent and not dependent on marital status. This was to replace the former outdated IV daily allowance system.
- Extension of benefits for further occupational training. With clearly set conditions, the IV now covers the invalidity-related supplementary costs of further occupational training regardless of the profession. This lays the groundwork for disabled people to have the same career advancement opportunities as their non-disabled peers.
- Introduction of a three-quarter pension (not stated in the Message, but agreed on by the National Council and Council of States). The existing three-level pension model (40% degree of invalidity: quarter pension; 50% a half pension; a full pension as of 66% degree of invalidity) is supplemented by an additional pension level (now: 40% degree of invalidity: quarter pension; 50% a half pension; 60% a three quarter pension; 70% degree of invalidity a full pension). Parliament hoped that this measure would provide greater incentives for the disabled to take up gainful employment.
- Upgrading job placement services through the IV offices (not stated in the Message, but agreed on by the National Council and the Council of States). Disabled policyholders are now entitled to *active* job-seeking assistance and advice on how to keep their existing job. Job placement in the sense of the law also includes providing employers with the necessary advice and information on the rehabilitation of the given IV recipient and legal issues relative to social insurance.

### *Strengthening the supervisory role of the Confederation*

- *Introduction of a regional medical service to provide a more uniform and qualitatively better assessment of benefit applications throughout the country.*
- *Annual audit of IV offices' accounts by the FSIO.*

### *Simplification of the structure and system*

- *Tariff disputes between the IV and service providers are now settled by cantonal arbitration courts.*
- Greater cooperation between IV offices, the implementing authorities of the unemployment insurance system and cantonal executive bodies responsible for the promotion of occupational rehabilitation. The aim is to guarantee the swift reintegration of the unemployed in the job market minus unnecessary red tape.

#### *Further measures*

- *Nationwide information. The Confederation now provides general information on benefits and invalidity insurance procedures at national level.*
- *Scientific evaluations of insurance costs. The Confederation can now carry out or commission third parties to carry out scientific evaluations on the execution of the law.*

## **1.2.2 5<sup>th</sup> IV Revision**

### ***Overview of legislative changes***

*Change to the Federal Law on Invalidity Insurance (IVG, SR 831.20)*

Message on the 5<sup>th</sup> Revision of the Federal Law on Invalidity Insurance (5<sup>th</sup> IV Revision) of 22 June 2005.

<http://www.bk.admin.ch/ch/d/ff/2005/4459.pdf> (Message, German)

<http://www.bk.admin.ch/ch/d/ff/2005/4603.pdf> (Draft law, German)

<http://www.bk.admin.ch/ch/f/ff/2005/4215.pdf> (Message, French)

<http://www.bk.admin.ch/ch/f/ff/2005/4357.pdf> (Draft law, French)

Parliamentary consultation process and additional timetable:

The Message on the 5<sup>th</sup> Revision has been under discussion by the Committee for Social Security and Health of the National Council (CSSH-NC) since the beginning of September 2005. The “ideal” timetable would be as follows:

December 2005	Discussion of document by National Council (lower house)
Jan-Feb. 2006	Discussion of document by the Commission for Social Security and Health of the Council of States (CSSH-S)
March 2006	Discussion of the document by the Council of States, resolving of differences and final vote in both houses
1.1.2007	Entry into force

### ***Planned changes to content of 5<sup>th</sup> IV Revision***

The 5<sup>th</sup> IV Revision aims to cut IV expenditure through a 20 percent reduction (based on 2003) in the number of new pension recipients, to remove negative incentives with regard to rehabilitation and make a substantial contribution to improving the financial health of the system through austerity measures, thereby lowering the annual IV deficits.

We shall now present the measures which will benefit the disabled or which has a direct bearing on their lives. We shall refer to other legislative changes (*in italics*) but shall not look at them in detail.

#### *Curbing the rise in new IV pension recipients*

- Early detection of incapacitated people with the aim of early rehabilitation:  
Cf. above, A. a), Section. 2.1
- Early intervention:  
Cf. above, A. a), Section 2.2
- Integration measures to prepare for occupational rehabilitation and extension of occupational rehabilitation measures:  
Cf. above, A. a), Section 2.3
- Strengthening the obligation to cooperate:  
Cf. above, A. a), Section 2.4
- Restricting access to IV pensions by modifying the definition of invalidity and pension entitlement:  
Cf. above, A. a), Section 2.5
- Onset of entitlement to IV benefits, increase in the statutory minimum period of paying insurance contributions:  
Cf. above, A. a), Section 2.6

#### *Correcting negative incentives*

- Adjustments to IV daily allowance system:  
Cf. above, A. a), Section 2.7.1
- Prevention of loss of income as a result of increased employment:  
Cf. above, A. a), Section 2.7.2

#### *Austerity measures*

- Waiving the career supplement:  
The career supplement allowed people, whose invalidity occurred at an early age to compensate for the rise in income they would have achieved if their career trajectory progressed as normal. Now these pensions are to be calculated according to the salary which the applicant received prior to the onset of invalidity.
- Medical measures to become part of occupational rehabilitation measures provided by the sickness insurance system:  
The IV will provide medical measures which are not for the treatment of the ailment per se but to assist recipients with their reintegration in the workforce. In practice, this restriction has several problems and has given rise to extensive case law. Given that the entire population has had to take out compulsory insurance cover following the introduction of the KVG in 1996, medical measures will be financed by the sickness insurance system. The one exception is medical measures to treat congenital disabilities, which will continue to be covered by the IV.
- Abolition of current supplementary pensions:  
During the 4<sup>th</sup> IV Revision, entitlement to a supplementary pension was withdrawn on the grounds of insufficient justification for these benefits that were dependent on the marital status of the applicant. All supplementary pensions currently being paid out will be stopped.

#### *Harmonisation of practices*

*The Confederation will be given greater supervisory authority with the aim of ensuring the uniform application of IV legislation throughout the country. This must go hand in hand with greater involvement of social partners in supervising the implementation of IV legislation.*

*Increase in the rate of IV contributions from 1.4 to 1.5 percent*

*Reducing federal contributions from 37.5% to 36.5% (only applicable for the 2008-2012 period).*

At the same time as the 5<sup>th</sup> IV Revision, the Federal Council passed the Message of 22<sup>nd</sup> June 2005, requesting that the increase in value added tax returns should be used to provide additional funding of the IV system. In the context of the present report, this document is not of particular relevance.

### **1.3 Occupational benefit plans**

#### **1.3.1. 1st BVG Revision**

##### *Overview of changes in the law*

*Change to the Federal Law on Occupational Old-age, Survivors' and Invalidity Insurance (BVG, SR 831.20)*

Message of 1<sup>st</sup> March 2000 on the Revision of the Federal Law on Occupational Old-age, Survivors' and Invalidity Insurance (BVG; 1<sup>st</sup> BVG Revision)

<http://www.admin.ch/ch/d/ff/2000/2637.pdf> (Message, German)

<http://www.admin.ch/ch/d/ff/2000/2713.pdf> (Draft law, German)

<http://www.admin.ch/ch/f/ff/2000/2495.pdf> (Message, French)

<http://www.admin.ch/ch/f/ff/2000/2571.pdf> (Draft law, French)

The law was passed by the two houses on 3<sup>rd</sup> October 2003.

The first revision of the BVG consists of three reform packages:

1<sup>st</sup> BVG Revision, 1<sup>st</sup> package (Entry into force 1 April 2004)

1<sup>st</sup> BVG Revision, 2<sup>nd</sup> package (Entry into force 1 January 2005)

1<sup>st</sup> BVG Revision, 3<sup>rd</sup> package (Entry into force 1 January 2006)

##### *Changes in the content of the 1<sup>st</sup> BVG Revision*

Of particular interest are the following changes:

- *Lowering the entry threshold to CHF 18,990 (currently CHF 25,320)*  
In future, all employees who are paid a salary of at least CHF 18,990 by their employer shall be legally obliged to subscribe to an occupational benefit plan.
- *Lowering the coordination deduction to CHF 22,155 (currently CHF 25,320)*  
All people with compulsory insurance cover will see a rise in the share of their insured salary on which their contributions are based (coordinated salary). For those in the high-income bracket, this measure compensates for the lowering of the conversion rate (cf. below). For those in the lower-income bracket, it offers them somewhat better pension provisions.
- *Lowering the conversion rate*  
Since the BVG came into force, the conversion rate has stood at 7.2%. Since then, the average life expectancy of pension recipients has risen, meaning that on average people will be pension recipients for longer than before. This is why the conversion rate must be lowered.
- *Disability benefits:*

Concerning BVG disability benefits, the same (partial) pension scale as seen in the IV Revision is introduced, i.e. quarter, half, three-quarter and full pensions. In addition, people, whose degree of invalidity stood at between 20% and 40% prior to joining the workforce, may receive disability benefits from the occupational benefit plan, if their condition later deteriorates while they are insured with a pension fund.

A summary of the individual reform packages and their contents can be found at: <http://www.bsv.admin.ch/bv/aktuell/d/index.htm>

A summary of the most important revisions can be found at: [http://www.bsv.admin.ch/bv/aktuell/d/wichtigste\\_punkte\\_revision.pdf](http://www.bsv.admin.ch/bv/aktuell/d/wichtigste_punkte_revision.pdf)

#### 1.4 Supplementary benefits

In the last five years, no notable changes have been made.

#### c) The relationship between various social protection programmes

- *The unemployment - social assistance - disability cycle (what is known about transitions between those schemes, what is at stake in terms of policy coherence, what kind of evidence is available including e.g. the number of unemployed people with health problems and the number of people with health problems on social assistance).*
- *Disability and early retirement (array of early retirement schemes potentially available for older workers with health problems)*
- *Work injury and general disability (interaction and possible overlap between the two programmes, difference in approaches e.g. types and timing of intervention).*

#### 1. Data available on the unemployment, social welfare and disability cycle

There is little substantiated data on this issue. In its Message on the 5<sup>th</sup> IV Revision (Section 1.1.3.3) the Federal Council states: “Given economic development in recent years, it stands to reason that there is a possible link between unemployment and invalidity. Comparisons with data from the 1990s show that in years with low economic growth, IV expenditure rose markedly. Evaluations however show that there is no institutionalised, routine transfer of the unemployed to IV. Unemployment rose sharply until 1994, while the share of people who received an IV pension within two years, also remained stable at two percent. The link between the share of unemployed and the share of IV pension recipients weakened in subsequent years.”

As mentioned above (cf. A. b) Section 4), we have no specific data on unemployment among the disabled.

There is also little data on social welfare. This is primarily due to the fact that there is no centralised administration of social welfare; it is a cantonal/municipal responsibility, not a federal one. To date, no nationwide figures are available. Swiss social welfare statistics, collected and processed by the SFSO, provide information on the num-

ber of social welfare recipients, the type of means-tested benefits that are paid out, the length of time recipients receive this support and their family structure. These statistics go some way to rectifying the situation, since there are no data available on this subject for the country as a whole. The first complete results will be available at the end of 2005. In early 2006, statistics for all 26 cantons will be published.

For additional information on social welfare statistics, please see the 2004/05 Annual Report of the Swiss Federal Statistical Office (SFSO) on Swiss Social Welfare Statistics:

[http://www.bfs.admin.ch/bfs/portal/de/index/infothek/erhebungen\\_quellen/blank/blank/ssh/03.ContentPar.0012.DownloadFile.tmp/Jahresbericht\\_SHS\\_2004\\_05\\_d.pdf](http://www.bfs.admin.ch/bfs/portal/de/index/infothek/erhebungen_quellen/blank/blank/ssh/03.ContentPar.0012.DownloadFile.tmp/Jahresbericht_SHS_2004_05_d.pdf)

## **2. Improvement of interinstitutional cooperation - an explicit IV objective**

In the present context, it is important that the implementing authorities of the unemployment insurance, invalidity insurance and social welfare systems cooperate together so as to avoid people being pushed and pulled between the different social safety nets. The aim of such cooperation should be the development of efficient and effective occupational integration measures.

The 4<sup>th</sup> IV Revision provided the legal basis for interinstitutional cooperation between IV offices, the implementing authorities of the unemployment insurance system and the cantonal implementing authorities, responsible for promoting occupational rehabilitation (Art. 68<sup>bis</sup> IVG). The aim is to make it easier for people, who have submitted an IV benefit application and whose capacity to work is under investigation, to have access to appropriate IV occupational rehabilitation measures offered by the IV, the ALV or the cantons.

These changes which have been in force since early 2004 have led to significant improvements. However, cooperation and coordination between the different actors involved still fall short. In light of this situation, the IV offices and the FSIO have attempted to regulate cooperation between the various insurance funds (i.e. daily allowance insurers, occupational providence providers, accident insurers) on a contractual basis (cf. also [www.iiz-plus.ch](http://www.iiz-plus.ch)).

In relation to the IV, interinstitutional cooperation is particularly important when it comes to the early detection, early intervention and occupational rehabilitation of incapacitated policyholders. Existing synergies should be exploited between the invalidity insurance and unemployment insurance systems when offering them assistance with their prompt occupational rehabilitation. Early detection and early intervention require close cooperation between the IV and insurers who are already in contact with such pension recipients prior to the involvement of the IV. These insurers (daily allowance and accident insurers, as well as pension institutions given the binding character of IV regulations) have a particular interest in the early detection of incapacity.

The 5<sup>th</sup> IV Revision extends existing conditions for interinstitutional cooperation to include all social insurance providers and implementing authorities (in particular, accident and military insurance funds), private insurance institutions (i.e. most of the daily allowance insurers), occupational benefit plan institutions, social welfare im-

plementing authorities, as well as other private or public institutions involved in the occupational rehabilitation of those incapacitated to work.

### **3. Further data**

Further information on the unemployment - social assistance - disability cycle can be found in the NRP 45 research papers of the Swiss National Science Foundation (cf. A. c) Section 2).

### **4. Disability and early retirement**

There is little information on the reasons behind a person's decision to take early retirement, the various retirement pathways taken and the financial circumstances of people immediately prior to reaching retirement age. Therefore, as part of the research programme on the 12<sup>th</sup> AHV Revision on the longer-term future of old-age provision (IDA ForAlt), a representative survey was carried out on the various retirement pathways. The results show that the legally prescribed retirement age is of particular relevance to those in the lower income bracket.

24.6% of the 1,960 people surveyed, who had reached the statutory retirement age, had taken early retirement. While 41% of men in the surveyed age group took early retirement, only 11.6% of women did so. For men in particular, the following factors increase the likelihood of early retirement: active leisure time at the time of the survey, a smaller household between the age of 60 and retirement age, poor state of health at 60 or having IV pension recipient status at 60. Among women, economic factors are the most likely reason behind their decision to take early retirement. The higher their second pillar old age provision is, the greater the probability of women opting for early retirement.

It should be noted that early retirement can be voluntary or enforced. 31% of people who take early retirement stated that they did so involuntarily while 69% chose it voluntarily. Enforced and voluntary early retirement is primarily linked to health problems. Further influential factors behind the decision to retire for both men and women were changes within the company or company closures. 18% of people who took voluntary retirement received an attractive redundancy package from their employer.

Further details on this survey can be found at:

[http://www.interface-politikstudien.ch/downloads/deutsch/Art\\_CHSS\\_Altersruecktr\\_03\\_d.pdf](http://www.interface-politikstudien.ch/downloads/deutsch/Art_CHSS_Altersruecktr_03_d.pdf)

### **5. Social insurance benefits in the event of an (occupational or non-occupational) accident and occupational illness**

We shall now turn our attention to compulsory accident insurance and invalidity insurance.

*Coordination of rehabilitation and pension entitlement*

Compulsory accident insurance is a personal insurance, which insures against the economic consequences of occupational accidents, non-occupational accidents and occupational illnesses. Employees and the unemployed (insofar as they meet the relevant entitlement criteria) are subject to this compulsory insurance. The self-employed can sign up to this insurance scheme on a voluntary basis.

In the event of an accident or occupational illness, those concerned are immediately put in contact with the compulsory accident insurance provider, which sees to the medical treatment and prompt registration of the person concerned with the IV so as to receive rehabilitation measures. The treatment of accident-related problems is financed by the accident insurers. Where the person has a proven incapacity to work, he/she receives a daily allowance as of the 3<sup>rd</sup> day following the day of the accident for each calendar day. If no improvement in their state of health is expected even with continued medical treatment and all IV rehabilitation measures are exhausted, the person is entitled to a UV pension.

If occupational rehabilitation remains ruled out and the accident insurer continues to guarantee medical measures, the person remains entitled to a pension.

According to Article 66, para 2 ATSG, pensions and compensation in accordance with the conditions of the given individual legislation is first assured by the AHV or IV, then by the military and accident insurance (UV) providers and finally by the occupational old-age, survivors' and invalidity insurance funds. Therefore, the IV provides a pension to an insured person who has been in an accident; this is supplemented by compulsory accident insurance up to the UVG-set threshold of 90% of the insured earnings (cf. Art. 20 para. 2 UVG, Art. 31 ff. UVV). Furthermore, the occupational pension provides pension benefits up to the coordination threshold of 90 percent of the projected loss of earnings (cf. Art. 24 BVV 2).

According to current IV legislation, eligibility for an invalidity pension must be based on the same level of incapacity as applied by the UV. As soon as the person becomes eligible, the IV office issues a pension. In the case of purely accident-related invalidity, the IV office enters into prior agreement with the UV.

Cooperation and procedures between the IV and SUVA (the largest Swiss accident insurance fund) and other UVG insurers are governed by a number of agreements:

- Agreement between the IV and SUVA, in force since 1<sup>st</sup> May 2003;
- Agreement between the IV and UVG insurers according to Art. 68 para. 1 a UVG, in force since 01.09.2001.

Their aim is to speed up comprehensive occupational rehabilitation, to coordinate the evaluation of the degree of invalidity following a simple accident, as well as to involve and inform policyholders.

#### *Coordination in relation to helplessness allowances*

According to Article 66, para. 3 ATSG and insofar as it complies with the conditions of the relevant legislation, a helplessness allowance is guaranteed exclusively by the following and in this order: a. military or accident insurers; b. invalidity insurers or old-age and survivors' insurers.

Where helplessness is the result of an accident in the sense of Article 66, para. 3 ATSG, a helplessness allowance cannot be issued simultaneously by the IV and the UV.

**d) Collective agreements and occupational schemes (second pillar)**

- *Collectively agreed income support that tops-up public benefits (characteristics, population coverage by major groups, levels of support).*
- *Second-pillar occupational sickness and disability benefits (characteristics, population coverage by major groups, levels of support).*
- *Other relevant agreed or private arrangements influencing individual behaviour.*

**1. The role of the occupational benefit plan as second pillar**

Once again the three-pillar principle is central here. For further information see Section B a) and Section 2).

**BV pension recipients, BV policyholders and number of BV insurers, 2002**

Year	No. of insurers	Policy-holders	Old-age pensions	Widow/widower pensions	Orphan and child pensions	Invalidity pensions	Other pensions	Total pension recipients	Capital recipients
2002	8,134	3,311,378	437,304	154,604	63,829	117,835	29,492	803,064	28,308

Other pensions: Other regulatory pensions, extra-regulatory pensions and pensions from charitable funds and pension funds that are being phased out.

Detailed data can be found in the Swiss Social Insurance Statistics, under BV 2.

Source: Swiss Social Insurance Statistics, Federal Social Insurance Office.

The above 2002 pension fund statistics can be found at:

<http://www.bsv.admin.ch/bv/statistik/d/index.htm>

**2. The interaction of the first (IV) and second (BV) pillars in relation to pension entitlement**

To improve cooperation in relation to establishing invalidity and pension entitlements, the occupational pension institutions and IV offices have jointly developed a manual. This should ensure the optimal interaction of the 1<sup>st</sup> and 2<sup>nd</sup> pillars on issues of invalidity pension eligibility. The aim is to cooperate in such a way that the clarification work of the IV offices runs smoothly and can be carried out without undue delays.

The manual can be found at:

[http://www.iiz-plus.ch/de/download/Manual\\_D.pdf](http://www.iiz-plus.ch/de/download/Manual_D.pdf)

### **3. Legal obligation to continue to pay salaries and daily allowance insurance**

In the event of illness or accident, employees, depending on the number of years in service and their own insurance cover or that of their employer (daily allowance benefits), are entitled to the continued payment of at least 80% of their original salary from three weeks and up to two years after the insured event.

#### *Continued salary payment*

Article 324a of the Swiss Law of Obligations (OR) governs the right to have one's salary paid in the event of illness- or accident-related invalidity. The employer is therefore obliged to pay the employee's salary for a limited period, insofar as the employment contract ran or was in force for more than three months. If longer periods are not set down in agreements, normal employment contracts or collective working agreements, the employer has to provide the employee's salary in the first year of service for three weeks and afterwards for an appropriate longer period, depending on the duration of the employment contract and other special conditions. The decision on the length of time that the salary will continue to be paid was set down by judges, according to three different scales (Berne, Basle and Zurich scales). These regulate the continued payment of a salary based on the duration of the employment contract.

Once the employer's obligation to continue to pay the salary lapses, the employee will cease to receive any supplementary income. It is therefore vital that the employer and employee jointly find a solution. The collective daily allowance insurance system offers such a solution.

#### *Daily allowance instead of a salary*

Daily allowance insurance is not compulsory. Collective work agreements can stipulate the conclusion of daily allowance insurance in the event of illness. In addition, agreements on illness-related benefits are possible in individual employment contracts.

For employees, collective daily allowance insurance means that they will continue to receive benefits long after the legal obligation of the employer to pay their salary has lapsed.

Premiums levied by individual insurers are higher than those of collective insurers, since the risk is not spread. The employer (as a policyholder) can agree collective daily allowance insurance cover for the entire workforce, thus allowing all (employer and employee alike) to benefit from lower premiums.

In accordance with the Law on Insurance Contracts (VVG), insurers (health insurance funds) that are subject to the sickness insurance law (KVG) may conclude daily allowance insurance contracts.

Daily allowance benefits are only paid out insofar as there is no over-insurance.

### **4. Social insurance and collective work agreements**

As part of collective work agreements (GAV), employers and employees can agree conditions which go beyond those set down by the individual social insurance providers.

## **5. Legal protection against dismissal**

If a person is incapacitated to work, the Swiss Law of Obligations provides legal protection against dismissal for a certain period of time. If someone who has been employed for less than a year but has completed the probationary period falls ill through no fault of his/her own or as the result of an accident cannot be sacked during the first 30 days from the onset of the illness. Between the second and fifth man-year this blocking period covers the first 90 days; from the fifth year this rises to 180 days (cf. Art. 336c OR). These periods do not overlap with the duration of the salary payment set down in the legislation or in the employment contract, which is often shorter.

## C. Employment support programmes

### a) Programme characteristics

- *Overview of activation and employment measures for sick/disabled people, capturing the following areas: medical and non-medical rehabilitation; employment programmes (subsidies, on-the-job support, part-time work, etc.); sheltered employment*
- *Please capture the following items in describing employment support measures: conditions of eligibility, entitlements and coverage; type and duration of support; medical and vocational assessment and delivery procedures; funding structures; etc.*

### 1. Effective rehabilitation measures for the disabled

#### *Invalidity insurance*

First and foremost, invalidity insurance (IV) is concerned with the occupational rehabilitation of disabled people. However, to be eligible for IV benefits, invalidity must exist. It should be noted that these rehabilitation measures take the form of individual IV insurance benefits given to the policyholder. IV institutions which implement IV rehabilitation measures and workshops involved in the long-term employment of the disabled are also given support with collective benefits in the form of subsidies.

We refer to Part B. b) Section 1.2.1 (invalidity insurance system) as well as Part B. a) 3.3 (including changes introduced by the 4<sup>th</sup> IV Revision).

#### *Accident insurance*

With regard to rehabilitation, the first priority of compulsory accident insurers (UV) is medical rehabilitation. Occupational rehabilitation falls to the IV not the UV. To ensure optimal cooperation between the UV and the IV, accident insurers conclude prior agreements.

### b) Recent reforms and reforms under construction

- *Major changes during the last five years to any of the programmes described above as well as current reform plans.*
- *Explanation why these reforms had been implemented and what issues ongoing reform is seeking to address.*
- *Brief assessment as to whether the objectives of the reform have been met.*

We refer here to the reforms contained in the 4<sup>th</sup> and 5<sup>th</sup> IV Revisions.

The 4<sup>th</sup> IV Revision entered into force on 1<sup>st</sup> January 2004. At the moment, it is impossible to say whether the measures that the revision introduced have had the intended results.

## **D. The position of people with disabilities in employment/society**

- *Anti-discrimination legislation and employment quotas for disabled people (if either of the two exists) and their impact and effectiveness. Recent changes in legislation.*
- *Employer obligations in relation to job retention, work accommodation sickness prevention, vocational rehabilitation and training, provision of part-time work, etc. What is known about the actual application of any of these obligations?*
- *What is the role of NGOs in determining the direction of policy and in delivering services for disabled people?*

### **1. Law on Equal Opportunities for Disabled People (BehiG)**

On 1<sup>st</sup> January 2004, the Federal Law on Equal Opportunities for Disabled People, BehiG, SR 151.3; BBl 2002 8223) entered into force. It affords the 700,000 people living with disability in Switzerland easier access to public transport and public buildings. Other parts of Swiss legislation (communications, federal statistics, road traffic, tax relief measures) have also been adapted to take better account of the needs of the disabled.

The BehiG goes some way to meeting the obligations set out in Article 8, para. 4 of the Swiss Constitution, namely the provision of legal measures to prevent discrimination against the disabled. It aims to prevent, minimise or combat discrimination against people with disabilities. It also establishes the general conditions which make it easier for the disabled to take an active role in society, to develop their own social network, to undertake training and to exercise an occupation.

The BehiG makes a distinction between disability and invalidity. According to the BehiG, disability refers to “a person, whose persistent physical, mental or psychological impairment makes it difficult or impossible to carry out routine tasks, maintain social contact, to move, to undertake training or to exercise an occupation”. It defines discrimination as de jure or de facto differences in the treatment of the disabled compared to the treatment of the non-disabled, unjustified and unfair treatment, or non-accommodation of their special needs.

Since 1<sup>st</sup> January 2004, the newly created Federal Agency for the Equality of People with Disabilities oversees the execution of the BehiG. It is an administrative unit of the General Secretariat of the Federal Department for Home Affairs (EDI).

### **2. Employer’s obligations?**

The Swiss Law of Obligations obliges employers to continue salary payments and provides legal protection against unfair dismissal (cf. B. d) Sections 3 and 5). There is no actual obligation on employers with regard to the integration of the disabled in the workplace. Of course, employers are free to take a voluntary and active role in the occupational rehabilitation of the disabled.

### 3. Role of organisations for the disabled

#### *Benefits received by organisations for the disabled*

These take the form of collective benefits which are subsidised by IV contributions (cf. B. a) Section 3.3.1).

#### *Contribution to the legislative process*

Organisations for the disabled have participated in the legislative process in a variety of ways. In particular:

- Representatives from these organisations sit on the federal AHV/IV Commission, which advises the Federal Council on AHV- and IV-related legislative projects.
- Organisations for the disabled are directly involved in national consultation processes, which are enforced by legislative projects, and are free to comment on planned changes to the given legislation.
- Organisations for the disabled also lobby politicians, often managing to convince them of their viewpoint.

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