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Introductory speech in
Session 4

Looking ahead: Areas for possible further investigation

High-Level Forum

Sickness, Disability and Work: Addressing policy challenges in OECD countries

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Ministers, Ladies and Gentlemen:

It has been a great pleasure to participate in this high-level meeting on *Sickness, Disability and Work policy* in Stockholm. The participation of so many ministers and state secretaries is proof of the importance of the issue. From our discussions today it is clear that there is much important work to do. Building on existing efforts in the **face of an economic downturn** is perhaps our most important challenge.

The global economy is contracting. The credit squeeze, negative wealth effects and a generalized loss of confidence are dragging down economic activity and labour demand everywhere. While we work to restore growth and deal with rising unemployment, we must however not surrender the gains we have made in the battle to curtail the costly sickness and disability welfare problem. In particular, **we must do all we can to keep people who have meaningful work capacity off disability benefits**. Once they go onto these we know that the vast majority stay on benefit and never return to work. This costs everyone in the long run.

Most OECD countries already have a large disability welfare burden and this may well become worse for a number of reasons beyond just the downturn. Firstly, the knowledge derived from the OECD's thematic review has never been pulled together like this before and it is clear that many countries have yet to undertake the structural reforms that have been shown to work. Secondly, the review highlights a gap in our understanding about how to stem inflows from mental ill-health or to introduce incentives for the health system and employers to keep people in or close to the labour market.

Your input today is needed regarding actions that the OECD should take to help Member countries benefit fully from the presently completed thematic review. And this Forum is not yet the end of the review: a comprehensive synthesis report covering reviewed and non-reviewed countries will be published in early 2010. Your input is also needed with regard to further work to address pressing issues to prevent an unnecessary rise in the problem in all countries.

Further actions could include, for example, **policy seminars on selected topics held on a regular basis in Paris or in Member countries**. Pending sufficient funding, the OECD could also prepare background documentation for such seminars. Topics could include, for example, "Managing sickness and disability policy in an economic downturn" and "Partial work capacity: Assessment and activation strategies". Seminars like these can also take into account country-specific complexities.

Chief among these is the relative paucity of knowledge about **what strategies cut inflows into disability from mental ill-health**, which is rising out of proportion to its prevalence in the general working-age population. Mental health is especially concerning because it appears to underlie the surge in young adults with partial work capacity leaving the labour market permanently to take up disability benefits, or slipping into benefit dependency before even entering the labour market. All countries have much to gain or lose in delaying action to address this issue.

One approach to addressing this would involve a stock-take and analysis of initiatives in Member countries that directly or indirectly prevent mental ill-health based inflows into disability benefit as well as initiatives to mitigate the impacts of mental illness and to help those affected stay in or return to employment. In OECD we are thinking of starting a two-year project on this subject matter, pending sufficient interest from your side. The output would be a report on evidence of promising initiatives in OECD countries together with a discussion of contextual factors needed to make them work in particular jurisdictions.

The poor integration of labour market and welfare objectives into health systems and health policy is another though related problem driving up welfare costs. In most countries, medical practitioners (often in a context of social and cultural pressure) grant sick leave or channel people into medical rehabilitation, or make decisions about disability benefit entitlement with no consideration for labour market outcomes and

burgeoning welfare costs. This separation may account for the paradoxical rise in disability claims at a time when general health has actually been improving. While a number of OECD countries have undertaken innovative reforms to address single aspects of the overall issue, a complete picture of what can be done, and how to achieve it, is missing. The OECD's thematic review identified a promising reform here in Sweden to cut inflows into long-term benefits, introducing a severe effort to avoid inappropriate medical sick-listing. We have to commend the Swedish government for this important part of the reform. Also on this topical subject, we would be looking for the participation of 5-10 Member Countries.

The OECD's thematic review identified **private disability insurance as a potentially useful but largely underutilised tool** that could help solve a number of fiscal and labour market problems in OECD countries. While its use is spreading, this is not as part of a concerted public/private policy strategy, resulting in private insurance undermining rather than supporting public policy goals. Because private schemes are financially driven and built on actuarial models, they have strong inherent incentive to identify and intervene early with cases of sickness absence likely to deteriorate into long-term benefit claimants, to keep them attached to the labour market. Much could also be learned about this to improve the efficiency and effectiveness of publicly-funded systems. Privately-managed schemes funded by various combinations of employer and worker contributions could be used to cut public expenditure, particularly in view of the sizeable disability welfare burden in most countries.

We are very interested in hearing your views on these proposals.

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Elements for the response following the discussion:

We have discussed what the OECD should do to increase our understanding of why disability has become such a pressing issue, and what could be done in response. We talked about a follow-up with seminars to continue the exchange of information on relevant topics. Many countries agreed that this will be extremely useful for them and there were a few suggestions on additional topics for such seminars. A number of other countries emphasised the limited knowledge about how best to help people with mental health problems into work and what the OECD could do on this issue. Understanding good practices in rehabilitation and the intervention from public employment services were some of the concerns raised. There was also quite some interest on the interactions with the health care system – and often neglected subject matter. Finally, other countries agreed that much could be learned from the approach of private sickness and disability insurers, whose role is increasing in many countries.

Having heard that many countries were interested in the topics and very supportive of further OECD work to follow-up on the Sickness, Disability and Work review, we will now have to reflect on your feedback and develop this into more concrete proposals. We plan to present a workable strategy to you via our ELSA Committee in autumn this year (21-22 October). Let me repeat that any work on this subject will require voluntary contributions from Member Countries. Any offers in this regard would be highly welcome, and some of you will hear from us on this matter prior to our autumn meeting. Thank you.