



# Sickness, Disability and Re- integration Strategies:

## A Comparative Overview

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## STRUCTURE OF THE PRESENTATION

- The background: Why have sickness and disability become a major policy concern in the OECD area?
- Key outcomes and resulting challenges for sickness and disability policy
- The reform agenda I: A generalised change in “philosophy” of approaches
- The reform agenda II: Selected lessons from OECD reviews and “good practice” examples
- The political economy of reform

## 1. Changes in labour market requirements: Health, work and unemployment

- Restructuring of labour markets (shrinking core employment, increased job insecurity) affect disability via 2 channels
  - Loss of “niche jobs”
  - Tighter employment conditions/work pressure leading to stress and other health conditions, as well as longer sickness absences
- Different trends in *objective* indicators and *perceived* working conditions
- At the same time, absence of/from work seems even healthier.
- Vicious circle for policy makers: heightened labour market requirements can lead to more health problems/disability. Once out of the labour market, absence of a job adversely affects health

## 2. The “medicalisation” of social and economic problems

- Improvement of objective health indicators, but persistence in subjective indicators
- Moreover, developments in sickness absence/disability benefit receipt are not related to trends in *either* objective or subjective health indicators
- Hence, these developments are influenced by factors beyond “health”: policies and new social phenomena
- E.g. in some countries, it is socially less stigmatising to be out of work because of sickness/disability than because of unemployment

### 3. Reforms in other social protection schemes and their impact on disability benefit schemes

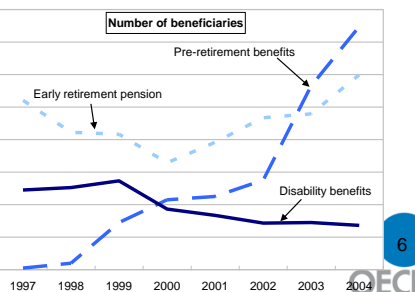
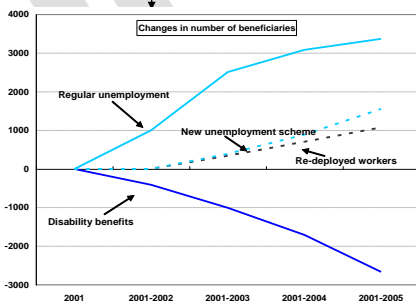
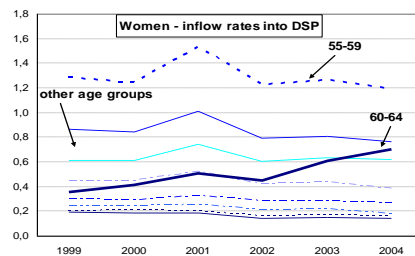
- Reforms in public pension systems generally increased retirement ages and closed doors to early retirement
- Unemployment schemes have been tightened with a focus on more rapid activation
- Also, social assistance programmes increasingly include activation conditions
- This had repercussions on disability benefit schemes, becoming “benefits of last resort”
- Timing and phasing in of various reforms usually is different, leading to “carousel effects”

### Examples for interactions between reforms in disability and other benefit schemes

Australia: pension reform and disability benefits

Poland: DB reform and early retirement benefits

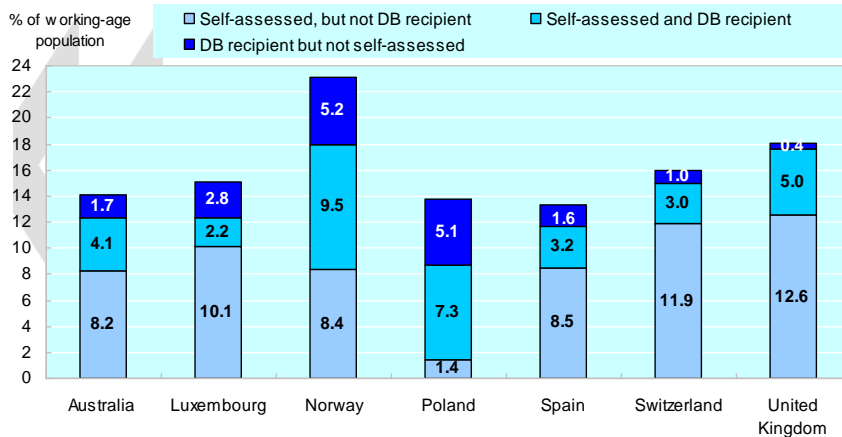
Luxembourg: DB reform and unemployment benefits



## 1. What makes a “disability”? Notions and definitions of disability

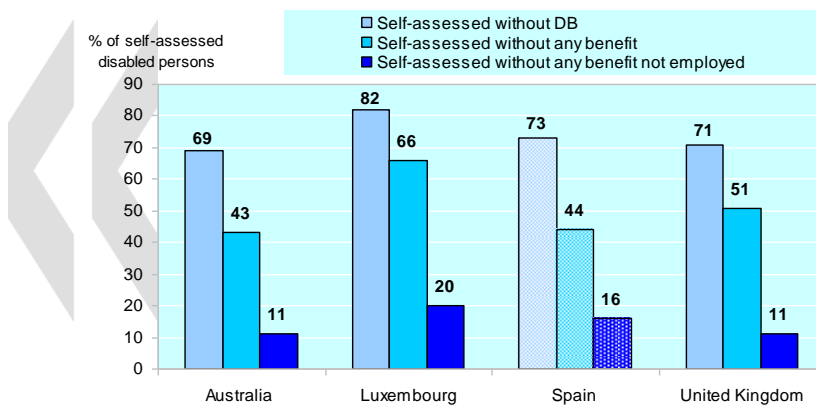
- Three different but complementary approaches to define “disability”
  - Self-assessment
  - Disability benefit receipt
  - Legal disability certificate
- *Self-assessment* via harmonised surveys: Suffering from any chronic (long-standing) disease and limitation in daily activities because of health problems for at least 6 months
- Large country variation for *benefit* receipt criteria
- *Legal* certificates sometimes take into account non-medical (social) conditions

## Possible inclusion and exclusion errors in disability benefit schemes



Source: OECD (2006, 2007)

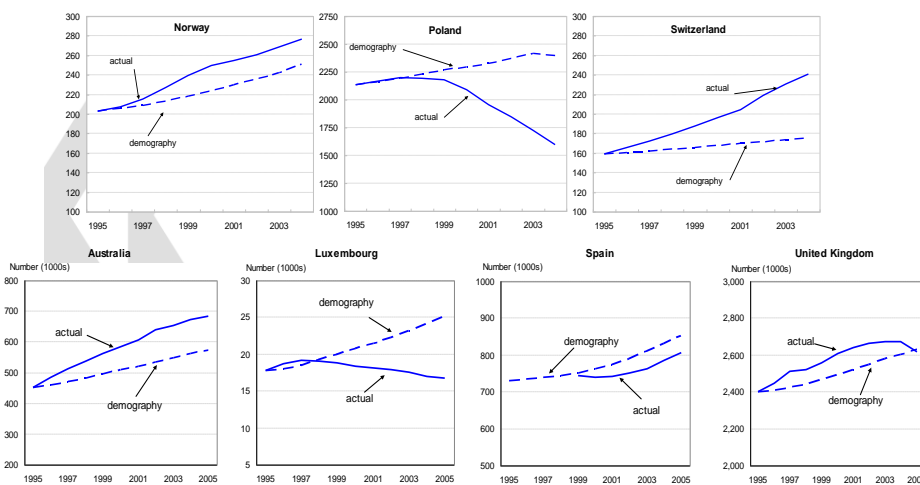
### Different estimates of exclusion errors



Source: OECD (2006, 2007)



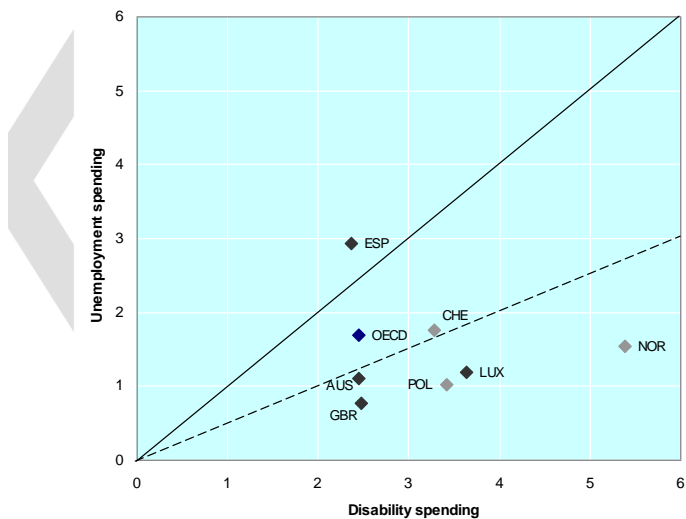
### 2. The impact of the ageing of the population: looking backward



Source: OECD (2006, 2007)



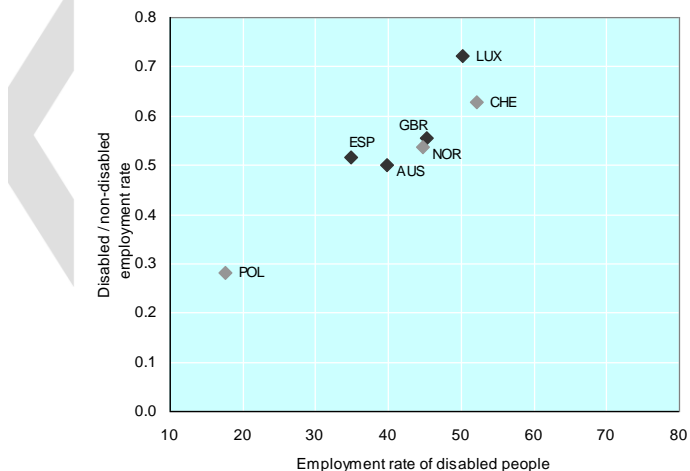
### 3. Public spending on disability and unemployment, percentage of GDP



Source: OECD

### 4. Low employment among people with disabilities

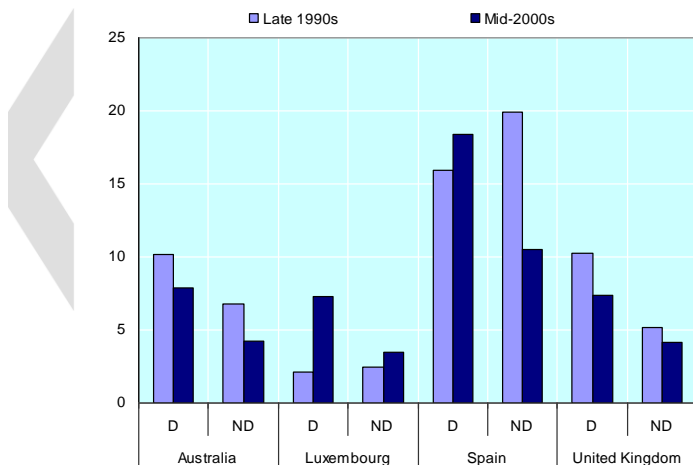
Employment rates of disabled persons and employment relative to non-disabled people



Source: OECD

## Unemployment among people with disabilities remains high

Unemployment of disabled (D) and non-disabled people (ND), percentage of labour force

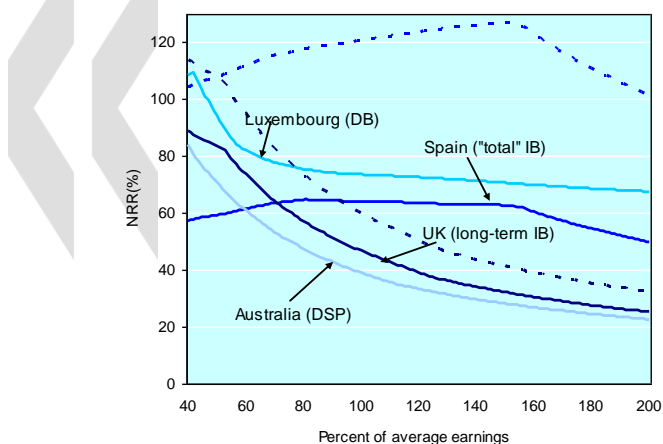


Source: OECD



## 5. Lower resources and higher poverty risks of persons with a disability

Adequacy of income replacement: Net replacement rates for a single person aged 40 on a disability benefit, 2005

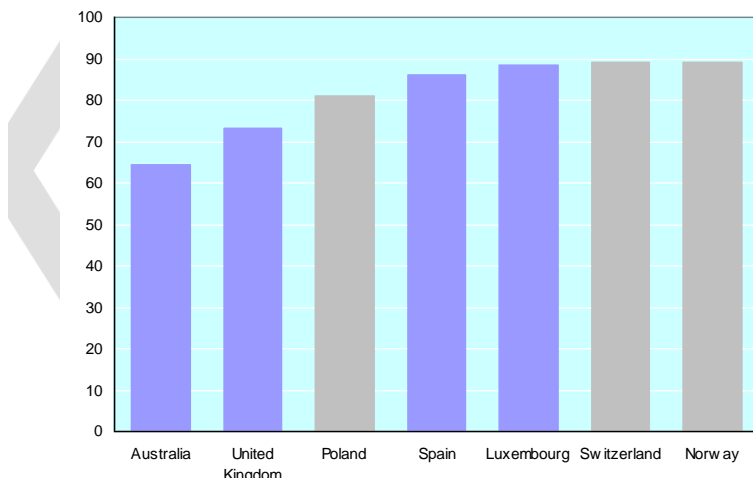


Source: OECD



### Persons with disabilities have lower incomes

Equivalised incomes of disabled relative to non-disabled people, 2004

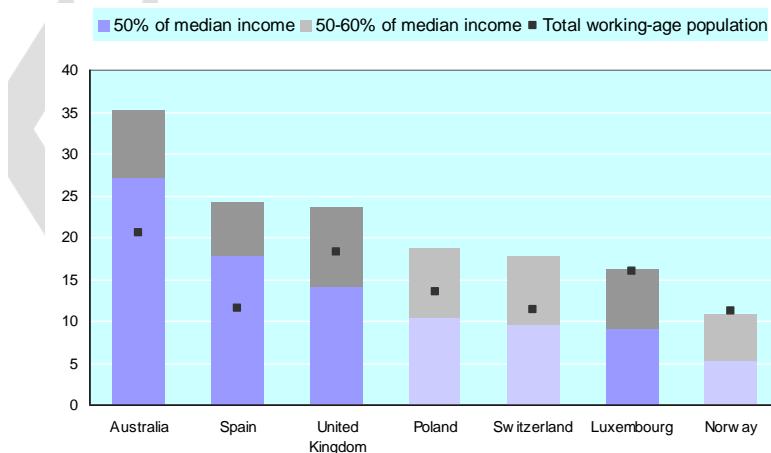


Source: OECD



### .. and higher poverty risks in countries where overall poverty is higher

Percentage of persons with incomes below the poverty threshold, 2004



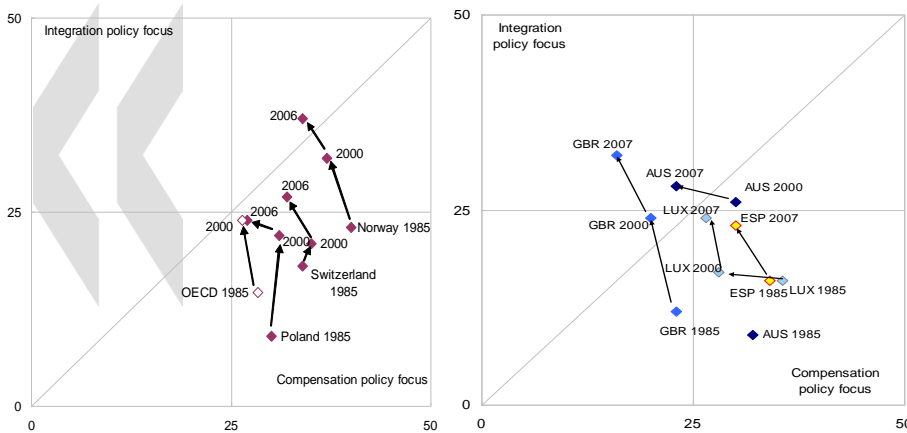
Source: OECD



**A generalised change in "philosophy" of disability policies – but country approaches and implementations differ greatly**

- Tightening of access to disability benefits
- Promotion of employment integration
- Move from benefit to integration orientation

**Large changes have taken place:  
Disability policy typology changes 1985 - 2007**



Source: : OECD (2003, 2006, 2007)

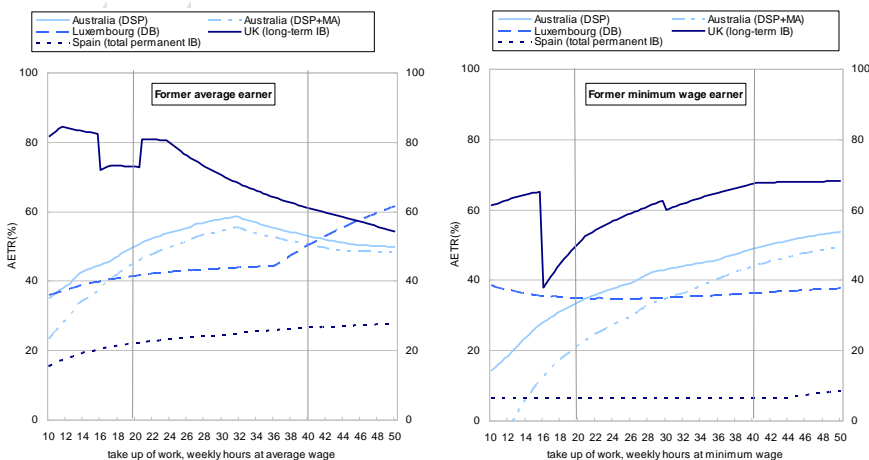
## Government policies for the employment promotion of disabled people: Countries rely on different mix of policy measures

- **Measures focused at employees:**

- Incentive measures: Earnings disregards for benefit recipients, continued recognition of disability status, cash and non-cash benefits when taking up work
- Introduction of partial or graded benefits
- Employment focus in vocational rehabilitation

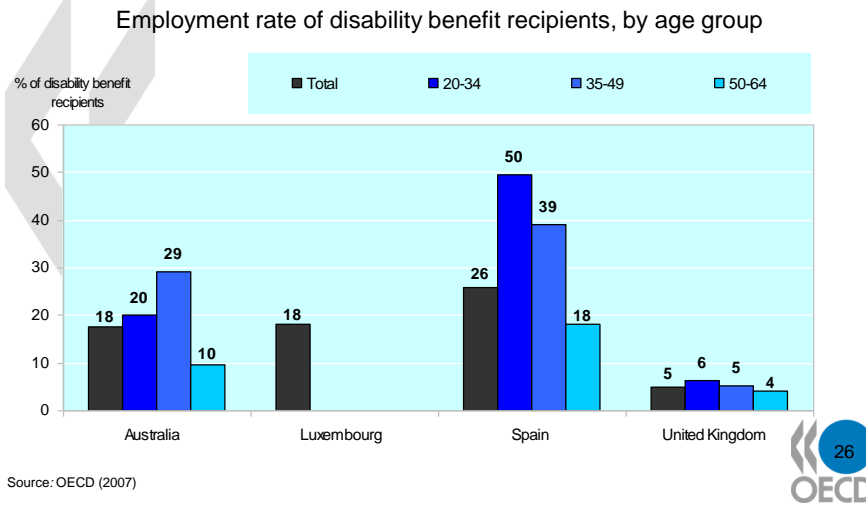
## Taking up work can be costly: Benefit withdrawal and taxation matter

Average effective tax rate for a single person on disability benefit, returning to work at .. hours, 2005



Source: : OECD (2007)

... and may lead to lower or higher employment participation among disability beneficiaries



Government policies for the employment promotion of disabled people: Countries rely on a different mix of policy measures

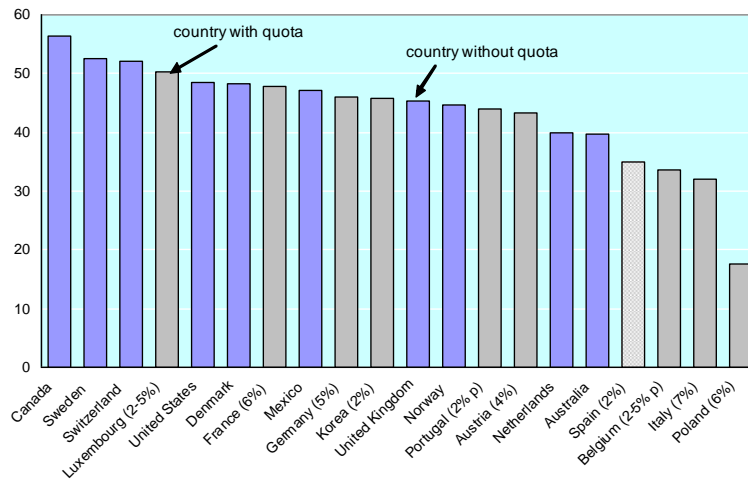
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● **Measures focused at employers:**

- Wage subsidies for employers: Tax exemptions and reductions, subsidies for workplace accommodation)
- Experience rating
- Employment anti-discrimination legislation
- Employment quota

### Employment rates of disabled persons in countries with and without quota system



Source: OECD. Note: Figures in brackets specify quota levels where they exist; p = public sector only.

### GOOD-PRACTICE EXAMPLES (1): Earlier intervention

- Early identification and intervention (Switzerland)
  - Context: lack of intervention in sickness phase, people turning to DI office only after months/years
  - Objective to reduce inflows by 30%, via 3-fold procedure
    - i. Early identification and registering of health problems after 4 weeks; expected 20 thd persons
    - ii. Early short-duration intervention where possible; expected 10 thd persons
    - iii. New types of re-integration measures; expected 5 thd persons
  - Pros/cons: helps to overcome long duration assessment. But risk of 'medicalisation' and screening out of clients

## GOOD-PRACTICE EXAMPLES (2): New assessment procedures

- Australia:
  - Context: mainstreaming disability into employment policies
  - New comprehensive job capacity assessment, dual role:
    - i. Establish work capacity (jobseeker classification instrument)
    - ii. Identify barriers to work and refer to service provider
  - Pros/cons: combined assessment/referral role. But insufficient coverage
- Poland:
  - Context: general move to temporary benefits
  - Medical examinations exclusively undertaken by social insurance doctors, benefit decisions on that basis
  - Assessment teams and second advisors for legal certificates
  - Pros/cons: reduced inflow but did not increase employment

## GOOD-PRACTICE EXAMPLES (3): Better case management

- Norway:
  - Establishment of new Employment and Welfare Administration merges Employment Service and National Social Insurance
  - Gradually rolled out 2006 - 2009
- United Kingdom:
  - New "jobcentre plus" offices: single point of delivery for jobs, support and benefit advice
  - Individual case management by personal advisers
  - Unusually low caseloads – but high costs
- Australia:
  - Outcome-based rather than block-grant funding of services
  - Fees varying with support needs and durable employment outcomes

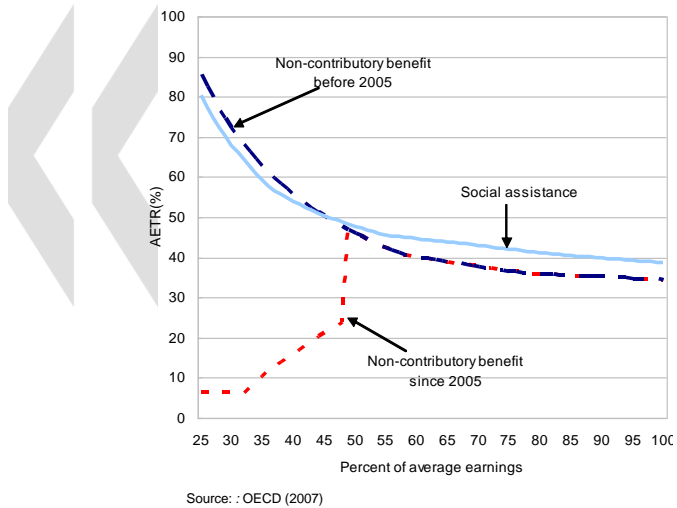
### GOOD-PRACTICE EXAMPLES (4): New ways of dealing with partial work capacities

- Redeployment procedure (Luxembourg)
  - Context: access to DB de facto closed for partially disabled persons in 1997 (court ruling)
  - More comprehensive medical controls at several points
  - *Internal* redeployment in a different of part-time job, with financial incentives for employer and worker (compensatory payments etc.). About 1/3 of cases
  - *External* redeployment: registered with employment office (with same incentives); eligible to waiting allowance after 1-2 years. About 2/3 of cases
  - Pros/cons: internal redeployment had some encouraging outcomes, external redeployment so far predominantly produced new category of "disabled unemployed"

### GOOD-PRACTICE EXAMPLES (5): Increasing financial rewards for taking up work

- United Kingdom:
  - Disability elements of the working-tax credit (16 hours rather than 30 hours criterion)
  - New additional return-to-work tax credit, currently rolled out
- Spain:
  - Context: changes for recipients of non-contributory disability benefit. Until 1997, take up of work meant loss of benefit
  - 1997: introduction of unlimited linking rules. 2005: introduction of earnings disregard until 1 and 1.5 times the level of IPREM
  - Currently, 5 thd of ~ 200 thd beneficiaries make use of regulation

## Changes in average effective tax rates for a single person receiving non-contributory disability benefit, Spain



## The political economy of reform

- Consensus and consultation: involving social partners *and* NGOs
- Consensus versus analogy approaches
  - Consensus among all key actors
  - Learning from pension and unemployment benefit reform
- Examples: general tripartite agreements in many countries
- Norway: focused “integrative workplace agreement”, establishment of local Workplace Centres
- Importance of public support (cf. Swiss referendum)

## Further reform is needed

### Transform the disability benefit scheme into a labour market oriented support programme

- Avoid 'medicalisation' and disability benefit inflow through job search measures, training, rehabilitation and prevention
- Disentangle eligibility for support from work ability and work status: Make cash benefits a flexible (in-work) tool that covers extra costs of disability and labour market disadvantages
- Ensure that work for disabled people is financially attractive and sustainable
- Implement a "mutual obligations" approach for the three actors involved: employers, employees, public administration
- Strengthen individualised, tailor-made pre- and post-placement support
- Monitor outcomes carefully



## THANK YOU ...

- ...for your attention

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