

OECD says the Netherlands need to continue sickness and disability reform

The Netherlands should address new inequalities arising from the recent sickness and disability policy reforms and better monitor the reintegration and insurance markets, according to a new OECD report. This is among a series of recommendations in *Sickness, Disability and Work: Breaking the Barriers (Vol.3) – Denmark, Ireland, Finland and the Netherlands* that analyses sickness and disability policies and proposes government actions to reduce the number of benefit claims and help people re-enter the labour market.

During the 1980s and 1990s, the Netherlands were the OECD champion in disability benefit receipt, and many observers referred to the “Dutch disease”. Policy reacted. During the past decade, employer and employee responsibilities were increased dramatically. Employment services were outsourced or privatised. A new disability benefit scheme was enacted which increased access conditions from 15% to 35% earnings-capacity loss and introduced a wage-supplement for people who use at least half their remaining capacity. And, a re-assessment procedure based on the new, tighter eligibility conditions for all beneficiaries below age 45 is soon to be completed.

All these measures have contributed to a significant fall in sickness absence from 10% in the late 1980s to 4% today. More recently, the disability benefit inflow rate dropped from over 1.1% of the working-age population annually in 2001 to only 0.4% in 2007. Indeed, many of the Dutch reforms were unprecedented, especially as regards the role of employers, and the new system now in many ways acts as a good-practice benchmark for other OECD countries.

Despite these comprehensive reforms, however, two challenges remain: the low employment levels among people with disability and the high spending on sickness and disability benefits. Currently, only 44% of people *with* disability have a job, less than a few years ago; this contrasts with relatively high and recently increasing employment rates for people *without* disability. Spending on sickness and disability benefits still represents around 4.5% of GDP, more than twice the OECD average.

A key concern is to make sure that recent reforms and trends are not leading to new problems in the future, e.g. higher reapplications for disability benefit. There is a rapid increase in a number of risk groups for whom sustainable solutions yet have to be found, especially people with mostly mental disability acquired before age 18 (“Wajongers”) and temporary workers not covered by the considerable employer responsibilities for sick pay and rehabilitation (“Vangnetters”). A third group of concern are people no longer entitled to a disability benefit due to the higher incapacity threshold.

To make the far-reaching and new standards setting Dutch reforms of the sickness and disability scheme a sustainable success, further change needs to address three areas in particular:

1. Measures need to be designed for the new groups at risk which are only partly covered by the recent reforms:
 - The Wajong scheme should be turned into an active payment, while increasing participation requirements and improving reintegration supports – in short, applying the philosophy of the general disability benefit reform.
 - The employee insurance authority UWV has the role of a “quasi-employer” for temporary workers and the “no-risk” group of workers. It therefore should increase

internal incentives for better outcomes, e.g. by monitoring local offices with the possibility for sanctioning bad performers.

- A systematic follow-up procedure should be introduced for those reassessed and taken off the benefit rolls as well as those with less than 35% earnings capacity reduction who often move onto unemployment benefit. This should happen in collaboration with local employer networks.
2. UWV has become the main public player in Dutch sickness and disability policy. Yet, a better co-ordination is needed with the other actors involved:
 - During the two-year period when employers carry responsibility, monitoring possibilities should be better exploited, i.e. the obligation to notify the UWV should be stricter and come earlier.
 - The Centre for Work and Income (former PES) should be fully integrated into the UWV and the so-called shared promises should be developed to ensure equal participation of municipalities.
 3. While UWV monitors placement results of the privatised reintegration services in larger contracts, it knows little about the quality of services provided in the context of individual reintegration plans, which now comprise some 70% of all reintegration services. The sick-pay reinsurance market is currently of oligopolistic nature and needs more transparency and competition:
 - A certification process for new reintegration providers should be introduced and the outcome focus of payments should be enhanced.
 - Regulations for private insurers should be introduced in order to ensure sufficient competition, for instance by providing guidelines on how premiums have to be adjusted to the recent disability experience of the employer.

Journalists can obtain a copy of **Sickness, Disability and Work: Breaking the Barriers (Vol. 3) – Denmark, Ireland, Finland and the Netherlands** by contacting the OECD's [Media Relations Division](#) (tel. +331 4524 9700). For further information, please contact one of the authors in OECD's Directorate of Employment, Labour and Social Affairs: [Christopher Prinz](#) (tel. +331 4524 9483), [Ana Llana Nozal](#) (tel. +331 4524 8527) and [Michael Förster](#) (tel. +331 4524 9280).