

NEW WAYS OF ADDRESSING PARTIAL WORK CAPACITY

**OECD THEMATIC REVIEW ON SICKNESS, DISABILITY AND WORK
ISSUES PAPER AND PROGRESS REPORT**

APRIL 2007

(www.oecd.org/els/disability)

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NEW WAYS OF ADDRESSING PARTIAL WORK CAPACITY

NOTE BY THE SECRETARIAT

The ongoing thematic review on sickness and disability policies suggests that the way countries are dealing with people with a partially-reduced work capacity is changing. Two key factors for this change in approach are:

- Partial work capacity is difficult to assess and therefore may give rise to misuse, so that many people with substantial work capacity exit the labour market prematurely; and
- Experience shows that it is better to focus on what people *can do* (rather than what they cannot do) and to provide support accordingly.

Reflecting these factors, several countries have changed their policy stance recently. People with partial work capacity are increasingly treated like the unemployed. This entails a change in medical and vocational assessment towards a work orientation. It also requires that more job-search support and requirements, as well as activation programmes, are put in place. In some countries, people with partial work capacity are also compensated, at least partially, for any earnings loss when they take up a lower-paid job. In addition, many countries are reconsidering the role of employers by strengthening their involvement and financial responsibilities. These changes are in line with the conclusions of the OECD report *Transforming Disability into Ability* published in 2003. The key question at present is whether these new approaches will deliver better employment outcomes, thereby improving the economic and social integration of disabled people and their families, and to what extent they may translate into higher poverty risks for some groups.

1. Introduction

The 2003 OECD report *Transforming Disability into Ability* concluded that comprehensive reforms during the past decade led to a re-orientation of disability policy from passive compensation to active integration, with considerable convergence in policy objectives across countries. The main policy objective was to increase workforce participation of people with health problems. The ongoing thematic review on sickness and disability policies in selected Member countries suggests that what is changing in particular more recently is the way countries are dealing with people with partial work capacity (see the Progress Report in the Annex for more details on the review).

Ideally, people with a partially-reduced work capacity should not leave the labour force and should be supported to find, or remain in, an appropriate job. This would help ensure social integration, raise the living standards of the individuals in question and maintain effective labour supply in the face of an ageing population. In reality, however, this is often not the case. Participation rates of disabled people are low and while employment rates increased for the general prime-age population in most countries, they typically declined or at best stagnated for disabled people. Why is this so? Are changing labour market requirements and the disappearance of niche jobs for people with less than full capacity a driving force behind this trend? There is conflicting evidence as to whether today's working conditions and job requirements lead to more sickness, but there is no doubt that job demands are high and probably increasing, that there is a larger number of working-age people with hitherto less recognised (*e.g.* often mental health) conditions, and that those people have great difficulties in remaining in work. Hence, while partial work capacity is not a new phenomenon, policy makers are indeed seeking new responses.

One reason for the low employment rates of people with partial work capacity is inadequate policies. Assessment procedures and benefit systems often push disabled people with significant work capacity into long-term benefit dependency. Countries are increasingly aware of this problem, which is why assessment procedures and partial disability benefits have come under renewed scrutiny. In particular, as this paper shows, several countries have chosen to i) suppress access to disability benefits for people with partially-reduced work capacity; and ii) rethink employment and rehabilitation policies so as to promote job opportunities for this group.

The purpose of this paper is to document these policy initiatives, based on the experience of the 11 countries which are participating in the thematic review on *Sickness, Disability and Work* (Australia, Denmark, Finland, Ireland, Luxembourg, Netherlands, Norway, Poland, Spain, Switzerland and United Kingdom). It concludes that by and large policy is changing towards the direction outlined in OECD's 2003 report, but that the benefits of this new approach are only emerging slowly.

2. How are benefit rules changing for people with partial work capacity?

To ensure that people with partial work capacity remain in or enter the labour market, it has proven necessary to reform assessment procedures and to change the benefit structure. One rationale for this is that, throughout the OECD, people rarely find their way back to work once on disability benefits. To help rectify this, four of the participating countries, namely Australia, Denmark, Luxembourg and the Netherlands, have chosen to ensure that people with partially-reduced capacity do not enter disability benefits, or at least not to the extent which used to be normal. Instead, this group has been made subject to participation or job-search requirements just like recipients of unemployment benefits – one reason for the increase in unemployment in Luxembourg. One country, Switzerland, has expanded the range of partial disability benefits, thereby further restricting the access to a full benefit for those with a partially-reduced work capacity.

2.1. *The new situation for people with partial work capacity*

In *Luxembourg*, since reform in 2002 only individuals with assessed continued work incapacity can remain on sickness benefit. Those who are no longer entitled to sickness benefits are provided with a job-search support, in the form of a clearly defined redeployment procedure to support access to employment. A successfully redeployed person receives a permanent payment to compensate for any difference between previous and new earnings. A person still waiting to be redeployed is classified as unemployed but receives a waiting allowance, *i.e.* an increased unemployment benefit set at the higher level of disability benefits. Until 1996, people with partial work capacity were systematically granted a *full* disability benefit which had led to a rapid increase in the number of people receiving these benefits. From 1996 onwards, eligibility criteria were applied more stringently so that those people with remaining work capacity were largely excluded from disability benefits (the result of this was a rapid growth in long-term sickness absence).

In view of the stubbornly high incidence of disability benefits in *Denmark*, the disability scheme was reformed thoroughly in 2003. Since then, disability assessment is designed to be about what a person can do and not about loss of capacity. More precisely, the authorities assess the extent to which a person is able to carry out a subsidised job (a so-called “flex-job”). This reform entailed the suppression of the partial benefit, which had been granted to individuals with at least 50% reduced work capacity. A disability benefit is now only granted to people whose capacity is permanently reduced to such an extent that they would not be able to carry out a flex-job, even after participation in activation or rehabilitation programmes. Unemployed people with partially-reduced work capacity who are only able to perform a flex-job receive special unemployment benefits, which are set at the same level as disability benefits. A permanent wage subsidy is paid to employers of people on a flex-job to compensate for their reduced work capacity, while flex-job workers receive a standard wage.

Since 2006, an entirely new disability benefit system is in place in the *Netherlands*. The new scheme has two components: A permanent disability benefit for people who cannot work any more and another benefit for persons whose disability is either partial or not permanent. The fine grid of partial disability benefits, with seven steps in line with the reduced capacity, was abolished. The first category comprises of permanently disabled workers with at least 80% reduction of their earnings capacity¹, who receive a disability benefit at a level of 75% of their last wage. Workers with an earnings capacity reduction of 15-34% can no longer receive a disability benefit. Instead, their employment relationship is maintained (if possible) and the employer will have to adapt the workplace if necessary. In case of job loss they are, after exhaustion of sickness benefits, treated like unemployed people. Workers with an incapacity of 35-79% and those who are fully but not permanently disabled are entitled to a benefit that is higher if the worker is working for at least 50% of the remaining capacity. After a period of five years, this benefit will be reduced to a flat-rate payment if the worker is not utilising that capacity. Both these elements are designed to improve work incentives.

Also in 2006, *Australia* changed its disability benefit system as part of a broader Welfare to Work reform package. The low employment rates of people on disability benefits, despite a free earnings zone and relatively generous taper rates, suggested that the disability benefit system pulled people with a partially-reduced capacity into benefit dependency. The policy response was to restrict new disability benefits (which are more generous than unemployment benefits and have no job-search requirement) to people with substantially reduced capacity to work (*i.e.* those unable to work at least

1 . In the Netherlands, disability is defined as the loss of earnings capacity *i.e.* the difference in pre- and (potential) post-disability earnings. This is also the case in Switzerland, while in all other countries covered in the review, disability is a function of the loss of work capacity.

15 hours per week) and to move those with significant capacity (*i.e.* those able to work 15-29 hours) onto the unemployment benefit scheme and expect them to actively look for a (part-time) job.

A slightly different approach, but with the same objective to make better use of the available capacity, was followed in *Switzerland* in 2004. Not only did this country keep its 50% and 25% disability benefits, it also introduced a new 75% benefit for people with 60-69% earnings incapacity. This change aimed at reducing further the share of people on a *full* disability benefit, thereby raising incentives to return to the labour market on a part-time basis.²

Table 1. **Characteristics of disability benefit schemes in 11 OECD countries**

Availability of partial benefits in the main disability benefit programme

| Country | Disability benefit grid |
|-----------------------|---|
| <i>Australia</i> | No partial benefit. Full benefit only if unable to work at least 15 hours per week within the next two years. (Before 2006, full benefit if unable to work at least 30 hours per week within the next two years.) |
| <i>Denmark</i> | No partial benefit any longer. Full benefit only if, after activation attempts have failed, permanently disabled and unable to perform a part-time job or a job with a permanent wage subsidy. |
| <i>Finland</i> | Full benefit if work capacity is reduced by at least 60%; half benefit if it is reduced by 40-59%. |
| <i>Ireland</i> | No partial benefit. Full benefit only for those unable to work. |
| <i>Luxembourg</i> | No partial benefit. Full benefit only for those unable to carry out their former occupation or another occupation commensurate with their abilities. (Before 1997, systematic granting of a full benefit for those with a partially-reduced work capacity). |
| <i>Netherlands</i> | Full benefit for permanent earnings capacity reduction of at least 80%. Reduced benefit for those with a full but temporary capacity reduction or a partial capacity reduction of 35-79%. Higher benefit payment for those who utilise at least half of their partial capacity. (Before 2006, partial benefit payable in seven steps for those with an earnings reduction of 15-79%.) |
| <i>Norway</i> | Partial benefit granted in 5% intervals for work-capacity reduction of 50-94%; full benefit for at least 95% reduced work capacity. |
| <i>Poland</i> | Reduced benefit (75% of a full benefit) if unable to carry out the usual occupation; can be combined with income from another job to some extent. Full benefit only for those unable to carry out any work. |
| <i>Spain</i> | Reduced benefit (55% of a full benefit) if unable to carry out the usual occupation; can be combined with income from another occupation without any limit. Full benefit only for those unable to carry out any work. |
| <i>Switzerland</i> | Full benefit if earnings capacity reduced by at least 70%; three-quarter benefit for reduction of 60-69%; half benefit for 50-59%; and quarter benefit for 40-49%. (Three-quarter benefit introduced in 2004.) |
| <i>United Kingdom</i> | No partial benefit. Full benefit only for people with severe functional limitations at such a level that they cannot be expected to seek work in the open labour market. |

Note: People with a partially-reduced work capacity not or no longer being able to avail of a partial disability benefit can of course receive a (full) unemployment benefit.

Source: OECD compilation.

In the remaining countries (see also Table 1), no changes have been made to the benefit system that would affect people with a partially-reduced work capacity, though there are ongoing discussions in some of them. The United Kingdom, for instance, is in the process of introducing a differentiation between people who are severely disabled and those with severe limitations but only partially-reduced work ability. The latter group will, in principle, receive a lower benefit but with a top-up for those who participate in employment-activation programmes (the planned Employment and Support Allowance).

2 . The lowest level of earnings capacity reduction required for a partial pension in Switzerland remained unchanged at 40%, the level needed for eligibility for a 25% benefit. This benefit was only introduced in 1988, at that time reducing the lower earnings capacity reduction threshold from 50% to 40%. An attempt, in 1999, to abolish this 25% benefit so to restore the pre-1988 situation failed.

Some countries including, for example, Poland have strengthened the assessment process for new benefit applicants, a step that tends to restrict the access to disability benefits for people with partial reduction of their work capacity.

2.2. *Can the disability benefit structure explain outcomes across countries?*

There is no simple empirical link across countries between disability benefit structures and the incidence of working-age individuals on such benefits. Figure 1 shows that the two countries with the most detailed partial disability benefit schemes, Norway and Switzerland, are found on both ends of the benefit reciprocity scale. Ireland and Spain have low rates of disability benefit receipt. Ireland has no partial benefits at all, while Spain runs a partial benefit system very similar to that of Poland, which in turn has the second-highest disability benefit reciprocity rate of all the reviewed countries. This result is not surprising in view of the fact that the 2003 OECD report identified benefit generosity as the single most important factor for a country's disability benefit reciprocity rate.

However, it appears that nearly all the countries that have abolished partial disability benefits or closed access to full disability benefits for those with partially-reduced work capacity have recorded a fall in the share of working-age people on disability benefits. This effect is already visible in Luxembourg and, to some extent, in Denmark and the Netherlands, but not yet in Australia where reform is too recent.

The fall in disability benefit reciprocity rates may, however, hide corresponding increases in other benefit schemes, such as unemployment benefits. In 2005, nine of the eleven countries had a disability benefit reciprocity rate that exceeded the corresponding unemployment-population ratio (Figure 1, Panel A). Poland and Spain were the only two exceptions. In Poland, this is explained by a dramatic fall in the disability reciprocity rate of more than one-quarter during the past five years along with a further increase in the already very high unemployment rate (Figure 1, Panel B).³ In Spain, during the same period, unemployment rates fell by over one-third from a very high level, a fall which did not translate into higher disability benefit reciprocity rates. The extent to which the abolition of benefits for people with a partial work capacity in Australia, Denmark and the Netherlands and the fall in reciprocity numbers have translated or will translate into higher unemployment is yet to be seen; in Luxembourg, this has clearly been the case in the past few years.

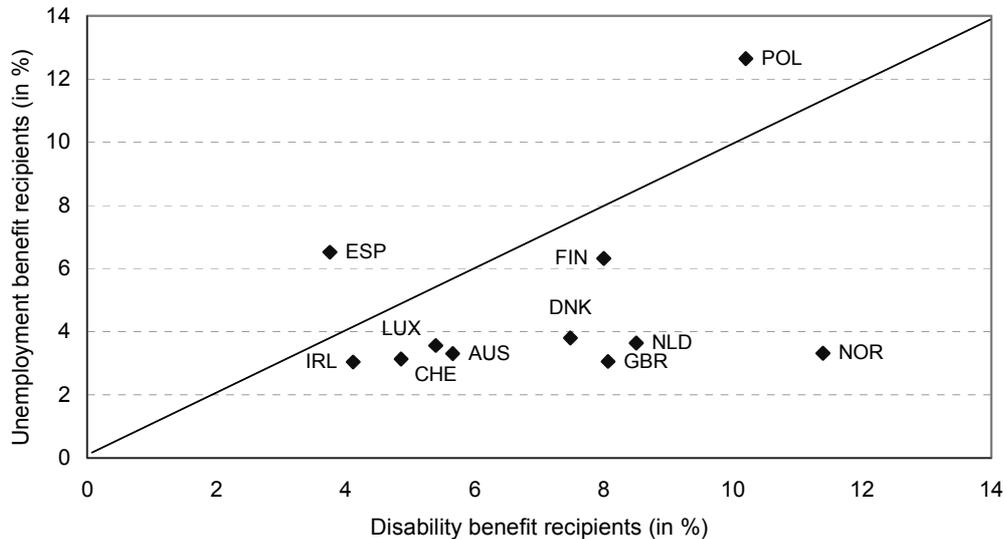
3. *How are people with partial work capacity assisted in their return to work?*

Restricting access to disability benefits means that more people with poor health will seek employment. To manage this increasing group of jobseekers with labour market disadvantages, it will not only be necessary for countries to have strong labour markets with substantial opportunities for part-time employment, but also to have good (re)employment support systems in place. Otherwise, reforms may only translate into higher unemployment and increase the inflow into, for example, social assistance. Moreover, after periods of oscillating between other benefits for working-age people, in the long run individuals may end up on disability benefits anyway. A successful outcome of the recent benefit reforms in the form of higher employment rates of people with partially-reduced work capacity requires more places in training and employment programmes as well as new activation strategies. It also requires that these people are given fewer choices to refuse to participate in support programmes and that more is done to involve employers in this process.

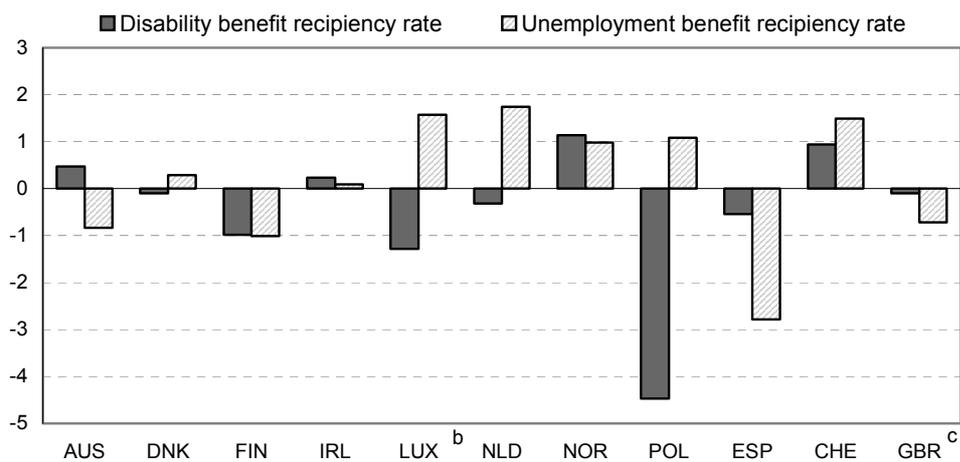
3. The unemployment rate in Poland fell continuously until 1998, then virtually doubled (from 10% to almost 20%) in the period 1998-2002, before dropping steadily to 14% in 2006.

Figure 1. **More disabled than unemployed people in most OECD countries^a**

Panel A: Disability benefit and unemployment benefit reciprocity rates, 2005 (in %)



Panel B: Changes between 2000 and 2005 (in %-points)



- (a) Disability benefit recipients are calculated as the population share in the age group 15-64 for Finland, Ireland, the Netherlands and Spain; 20-66 for Norway; and 20-64 for all other countries.
- (b) The Luxembourg reference population for disability benefits includes cross-boarder workers. Unemployment benefit reciprocity rates are based on the resident population only.
- (c) Northern Ireland is not included in the disability reciprocity rates.

Source: OECD (2006), *Sickness, Disability and Work: Breaking the Barriers, Norway, Poland and Switzerland*, Paris; OECD (2007 forthcoming) *Sickness, Disability and Work: Breaking the Barriers, Australia, Luxembourg, Spain and the United Kingdom*; national statistical offices and the OECD Labour Force Statistics database.

3.1. *Expecting more from the state*

Many OECD governments are taking a more active role in supporting people back into work and investing more resources in activation measures. In-work compensation payments to people with

partial work capacity moving into lower-paid jobs in Denmark, Luxembourg, the Netherlands and the United Kingdom are interesting examples. Wage subsidies paid to employers have also recently been extended considerably in Poland, though with little success so far. In some countries, Denmark and Norway in particular, the state has long offered a whole range of employment and rehabilitation programmes, albeit with insufficient efforts to monitor and improve outcomes. Other countries have introduced new employment and rehabilitation measures, like the condition management programmes in the United Kingdom.

Countries use different means and instruments to ensure that these programmes deliver employment outcomes. Norway, for instance, is in the process of merging the Public Employment Service (PES) and the National Insurance Authority into one new public administration to ensure streamlined and better co-ordinated services in order to minimise the probability that people are being shifted between benefits. A similar merger took place in the United Kingdom a few years ago, thereby creating a new agency that operates on a far more customer-oriented basis and provides a single point of delivery for jobs, benefits advice and support for people of working-age. Other countries have used other one-stop-shop elements to ensure that disabled people receive the right service at the right time.

Another issue that many countries are facing is co-ordination of services across different layers of government. For some countries, like Poland and Spain, this is a relatively new situation following a process of decentralisation of a whole range of responsibilities. In Switzerland, the lack of co-ordination of services across municipal, cantonal and state authorities is a long-standing issue. Major efforts are therefore ongoing to improve inter-institutional co-operation across systems and institutions mainly to improve the flow of information between the various actors. Similarly, the purpose of the Australian Commonwealth State Territory Disability Agreements is to define the roles of the different government layers in the provision of services for disabled people. Denmark is another country where cross-government funding issues arise because municipal authorities are responsible for vocational rehabilitation. The state tries to influence the use of these programmes through higher compensation rates for municipalities' active spending than for their spending on passive disability benefits, which are also under their remit.

Yet another intermediate objective for employment-oriented policies for disabled people is to improve the quality of service provision itself. One element in this is a better monitoring of what public service providers, especially the PES, are doing and delivering. An innovative route is to change the system from input-based block grants to outcome-based funding. Australia and the United Kingdom are in the process of changing their funding systems along these lines, enabling them to purchase employment and rehabilitation services for people with disabilities from the private sector. Both countries are making efforts to ensure that service providers and job brokers have incentives to find jobs for more disadvantaged jobseekers, *e.g.* through higher placement fees for these jobseekers. In addition, some weight is placed in both countries on the sustainability of employment outcomes, although this long-term outcome dimension is still undervalued. Similar market developments have also characterised service provision in the Netherlands.

Some countries, however, have not yet reoriented their expenditures towards active support for people with partial work capacity seeking work as well as in-work top-ups. Among the eleven countries (to be) reviewed, this is especially the case in Ireland, Poland and Spain. Also Luxembourg, despite its recent benefit reform, has yet to go down this route. In this country, the aim is to keep people with partial work capacity in work through either *internal* redeployment (in the previous job, possibly with fewer hours, or in another job with the same employer) or *external* redeployment (with another employer). The organisational and assessment procedure and the payments to be made are all in place, yet actual job-search support by the PES for those people who are to be redeployed externally – who account for around two-thirds of all people affected – is still limited.

3.2. *Expecting more from people with partial work capacity*

If more financial resources are made available for employment integration of disabled people, it becomes more reasonable to expect people with partial work capacity to make use of them. Implicitly, through their “rehabilitation-before-benefits” principle, some countries with an established integration policy have long had such responsibilities in place, at least on paper. This is, for instance, true for Denmark, Norway and Switzerland. Similarly, in Luxembourg, people with partial work capacity are now obliged to enrol in training and re-integration measures aimed at their redeployment. In other countries, however, one of the main differences between the unemployment and disability benefit systems is or was the lack of any work test or participation requirements in the latter scheme.

Treating people with partially-reduced work capacity as jobseekers automatically increases responsibilities for them to actively seek work and participate in courses or programmes. In Australia, requirements for jobseekers to look for work are clearly defined. People with partial work capacity (who are no longer entitled to a disability benefit) are required to look for suitable part-time work, consistent with their assessed capacity, or to participate in appropriate services. However, the new regulations are so far only directed towards new claimants, while there are no changes for those people with partial work capacity *already* on disability benefit. These people may access the new support services on a voluntary basis, subject to availability, but they can also choose to remain inactive.

The United Kingdom’s Pathways-to-work (PTW) process is another example of a first step towards establishing a new balance between rights and responsibilities for disability benefit claimants. The main feature of PTW at this stage is a series of six-monthly and mandatory work-focused interviews (usually starting eight weeks after the benefit claim), aiming for a personal action plan. Any action taken in response to these interviews, however, is still non-compulsory. A further strengthening of obligations is currently being discussed, but – as in Australia – the whole process is likely to remain voluntary for longer-term claimants.

Switzerland is another country which is in the process of introducing new responsibilities for people with poor health conditions at risk of moving into disability benefit. With the recently adopted reform, people will be obliged to cooperate with the authorities and to participate in measures aimed to reduce the costs for society arising from their disability. In the new legislation, these obligations will be listed explicitly, together with possible sanctions in case of non-fulfilment.

A critical issue is whether benefit sanctions should be introduced for those who refuse to participate in activation programmes. On the one hand, obligations cannot be enforced without sanctions. On the other hand, countries tend to shy away from using sanctions, even if these are in place on paper. Norway is probably the best example: on paper, sanctions are very strict, but in practice all actors assume that these will never be used. Enforcing sanctions on people with health problems is often perceived as socially questionable. In addition, some clients with health conditions may be more likely to get activated in voluntary measures to which they have a right rather than in obligatory and enforced programmes.

3.3. *Expecting more from employers*

In many countries, employers have various responsibilities placed on them if one of their employees makes a claim for a disability benefit. Employer responsibilities can take very different forms. Most importantly, some countries have transferred a larger share of the costs of sickness and disability onto employers. This is especially the case in the Netherlands, where employers are now responsible for paying the costs of sickness benefit for as long as two years. During this period, workers generally cannot be dismissed. Dutch employers can choose to reinsure their risk with a private

insurer. The situation is similar in the United Kingdom, but at six months the period of responsibility is much shorter. Other countries with a continued wage-payment period for employers of several months are Switzerland (where the actual period depends on tenure) and Luxembourg (though only for white-collar workers).

A similar recent development is the introduction of experience-rated premiums to disability benefit programmes. In the Netherlands, such premiums were first introduced in 1998 and, since 2003, employers are de facto paying for most of the costs of the first five years of disability benefit receipt of their former workers.⁴ A similar system in Finland, affecting large firms only, implies that companies may have to pay up to 80% of the disability benefit of their workers in case of job loss as a result of disability. Switzerland is the third country with a similar trend, but in this case it is private insurers (sickness benefit insurers and occupational pension insurers) who are in the process of introducing experience-rated premiums for employers, thereby shifting a larger share of their rising costs to those who are partially responsible for the incidence of long-term sickness and disability.

This new development in financing regulations raises a number of issues. There is a risk that without a proper regulatory framework, such as for instance in the Swiss case, the potential negative aspects of this shift – in the form of reduced hiring chances of sick and disabled people – outweigh the gains. This can be minimised with careful design of the system, *e.g.* in the form of exemptions for employers hiring a chronically sick or a disabled person. It is not desirable to penalise employers willing to engage workers with health problems, but it is desirable to hold responsible those employers who generate more sick and disabled workers than other employers in similar circumstances, *e.g.* in the same sector, for the extra costs involved.

There are several other developments that also affect the role and responsibilities of employers. For instance, most countries have introduced anti-discrimination legislation to ensure equal treatment in job promotion, hiring and dismissal procedures. Such legislation is strongest in Australia and the United Kingdom, but since 2006 all EU member states (should) have enacted an EU directive from the year 2000. Some countries are also using an employment quota for disabled people, thereby forcing employers to hire a certain share of disabled people. Among the eleven countries covered in this review, Poland is the only one with a relatively high quota (6% of the workforce) and sizeable levies on companies that are not fulfilling their quota, but its impact on employment is small – it is, in effect, a government revenue-raising device. Spain and Luxembourg also have employment quotas, but at 2% (Spain) and 2-4% (Luxembourg) they are much lower than in Poland. Moreover, levies are also significantly lower in Luxembourg and in Spain the quota is not enforced.

Finally, some countries have introduced responsibilities for employers to play a part in the job retention and rehabilitation process. In Norway, for instance, employers who have signed a contract with their local social security office (and most have done so in exchange for active support from that office) are obliged to monitor sickness absence. They also have to offer training, in collaboration with the local authorities, so that workers with health problems can be qualified for another job in the company. In Switzerland, forthcoming legislation will enable employers to inform the disability insurance office about their employees' longer-term health problems (*i.e.* in case of either repeated absence or absence of more than four weeks) so that the authorities can identify the need for support at an earlier stage. In Luxembourg, since 2002 larger employers have to keep an employee who has

4. Although this experience-rating of contribution rates to the disability insurance in the Netherlands was shown to be very effective, being a key explanatory factor for the recent sharp fall in the rates of inflow to disability benefits, in the course of recent benefit reform (see above) experience-rating of contribution rates will soon be abolished.

developed a health condition (internal redeployment) but this can be waived if the workplace is not suitable to the person's capacities.

All employer obligations that go beyond financial responsibilities, however, have in common the lack of adequate enforcement and sanctions mechanisms, therefore reducing their potential impact.

4. Emerging issues

The key question is whether the new approaches to partial work capacity taken recently in a number of countries are living up to their hopes and objectives and delivering better employment outcomes, without leading to higher poverty risks for some groups. By and large, despite some first promising evidence in some countries, it is still too early to tell.

In view of this, it is expected that the ongoing thematic review on sickness and disability policy will address the following emerging issues (and the Secretariat hopes to get guidance on the relevance of some of these during this meeting):

- To what extent should ongoing reforms be supplemented with greater efforts to emphasise ability to work as part of the assessment procedure?
- To what extent should the new rules and responsibilities be applied to existing disability benefit recipients with a partial work incapacity rather than only to new claimants?
- Are there sufficient financial incentives for people with partial work capacity to seek work? Are available benefits balanced or are out-of-work benefits too high and in-work benefits too low?
- Are economic incentives for employers sufficient? Can instruments such as experience-rated premiums for sickness and disability benefit schemes help to improve labour market outcomes?
- Are incentives for local authorities and service providers appropriate? Can outcome-based funding with a stronger view on sustainable jobs improve employment outcomes?

ANNEX: REVIEW PROGRESS REPORT

The thematic review on sickness and disability policies in selected OECD countries was launched in summer 2005. Eleven countries signed up for the review, covering a broad range of contrasting policy approaches as regards the way countries manage the inflow into sickness and disability benefit programmes and promote the outflow from these programmes. In addition, several of these countries have gone through comprehensive reform over the past few years from which lessons can be drawn. The main aim of the review is to shed light on why medical conditions appear to be causing increasing problems both for the labour market and for social policies, and to provide policy recommendations for countries to improve systems and outcomes.

Each year, a group of three to four countries is reviewed and a report with comparative analysis and country-specific conclusions is published. The first volume covering Norway, Poland and Switzerland was released in early November 2006 under the title *Sickness, Disability and Work: Breaking the Barriers*. The second volume covers Australia, Luxembourg, Spain and the United Kingdom and will be published in autumn 2007. The third volume covering Denmark, Finland, Ireland and the Netherlands will be published in late 2008.

Each draft report is discussed at a comparative seminar in one of the participating countries. All member countries are invited to send experts to these informal meetings. The first volume was discussed in Oslo in June 2006, with participants from seven OECD countries. The discussion of the second volume will take place in Luxembourg on 28-29 June 2007.

After these three rounds of reviews, a synthesis report will be prepared which summarises the key lessons learned. This report will be more general and will try to cover all OECD countries. For the preparation of this report, the Secretariat will need to update the data and policy information collection, started in 2000, for the largest possible number of OECD countries. This will be done through a data and policy questionnaire which will be sent out in early 2008.

The synthesis report is planned to be discussed at a high-level policy meeting in 2009. After this, a regular three-yearly update of policy trends and key outcomes in the area of sickness and disability is planned. The synthesis report will at the same time be the first update of this kind. For the work on the synthesis report and the subsequent regular data and policy update, the Secretariat is seeking additional voluntary contributions from interested countries.

Tentative timetable:

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|------|---------------------------------|---|
| 2007 | June November | Comparative seminar to discuss the draft of volume 2 Release of volume 2 (Australia, Luxembourg, Spain, United Kingdom) |
| 2008 | Spring June/July November | Data and policy questionnaire to all OECD countries Comparative seminar to discuss the draft of volume 3 Release of volume 3 (Denmark, Finland, Ireland, Netherlands) |
| 2009 | June/July Autumn | High-level policy meeting to discuss the synthesis report Release of the synthesis report |