

In Denmark, says OECD, implementation of disability policies at the local level could be better

Denmark should monitor and support municipalities' policy implementation more effectively and give a priority focus to the increasing share of younger people with mental illness, 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.

A first main challenge for Danish policy makers is the high rate of dependence of the population on various health-related benefits despite a series of benefit reforms. In the past six years, the share of the working-age population receiving health-related benefits increased from 9.6% to 11.2% - this is very high by international standards and has to be seen against a low unemployment record of 3.5%. A large and increasing share of this concerns younger people with mental health conditions, making up for almost one out of two new claimants. The second main challenge in Denmark is that, once on disability benefit, people remain on it until retirement: outflow from benefit into work is close to zero.

Five years ago, Denmark replaced its very complex and differentiated disability benefit system with a single benefit-rate linked to other working-age benefits. Partial benefits were abolished. At the same time, the system of subsidised "flex-jobs" for people with partial work capacities was refined. People qualifying for a flex-job but unable to get one are eligible for a time-unlimited "waiting benefit". As a result, the number of people on flex-jobs increased, but so did the number of people receiving waiting benefit. At the same time, the number of disability beneficiaries did *not* fall.

Another area in which the Danish government took action is that of sickness absence. Every day, 150,000 people stay at home because they are ill, three times more than those who are unemployed. A new legislation in 2006 tightened sickness absence monitoring and a new sickness action plan is currently discussed in parliament.

Municipalities are a key player in Danish policy, as they have responsibilities for virtually the entire system of social benefits and employment supports; the federal government can only supervise and create incentives for policy to be implemented as intended. The municipal structural reform 2007 aims to strengthen the role of local governments and to improve cooperation with the public employment service. Currently, differences across municipalities, e.g. in terms of disability benefit award, are much higher than could possibly be explained by differences in health or population structure.

In short, the recent developments show that the three strands of recent Danish policy reform – change of the benefit system; introduction of sickness monitoring; municipality reform – have not yet unfolded their potential. To turn the reform process into more tangible results, further change needs to address three areas in particular:

1. Measures need to be designed for the increasing group of young adults on disability benefits. Three in four benefit grants for this group are for mental health reasons.
 - This group of people would be helped by better work incentives and better-targeted supports, in exchange for tighter participation requirements. Measures for this group worthwhile discussing include, for instance, the granting of temporary payments with regular re-assessments.

- To achieve earlier screening of mental health problems and better identification of people's skills, a job certificate for each person with disability would be useful. Partial return to work should be promoted for people with mental health problems.
2. More power need to be given to the municipalities and the new performance management system to implement policies at a local level need to be supported by the following measures:
 - Local job centres should be receiving adequate resource and responsibilities, e.g. in the area of medical powers. The recent split between employment and benefit matters should be evaluated.
 - Specific outcome targets for job centres should be set, e.g. in terms of absence follow-up and numbers leaving long-term benefits. Sanctions in case of municipal underperformance should be used carefully but consistently.
 - To further improve financial incentives for municipalities, the reimbursement rate (currently 65%) for the municipal costs of flex-jobs could be lowered and reimbursement be waived for badly documented disability benefit awards.
 3. The municipal action needs to be better combined with other actors:
 - Municipalities should involve employers in the preparation of their follow-up plan. Reimbursement of municipal sickness benefit payments by the state could be lower if no roundtables involving caseworkers, employers and doctors are being organised.
 - Collective and co-operation agreements should be used to address absence matters. Of particular importance is to monitor and better manage sicknesses of the unemployed, with increased co-operation between municipalities and the unemployment benefit insurance funds.

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 Lena Nozal](#) (tel. +331 4524 8527) and [Michael Förster](#) (tel. +331 4524 9280).