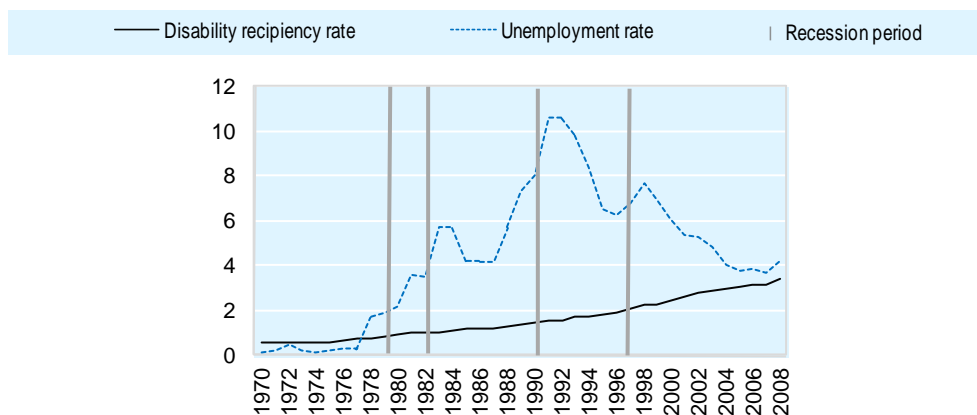


NEW ZEALAND

KEY FINDINGS

- In New Zealand, starting from a very low level, the number of people receiving disability benefit started to increase in the 1980s, in parallel to rapidly rising unemployment. When unemployment fell rapidly, from 1992 all through 2007, the increase in disability benefit recipiency numbers accelerated; in 2007, the latter almost reached the number of unemployed (Figure 1).

Figure 1. Long-run trends in unemployment and disability recipiency rates in New Zealand, 1970-2008 (percentages)



- Despite the steady and recently accelerated increase, the number of people of working age in New Zealand who receive disability benefit is below the OECD average; in 2008, 3.8 % compared to 5.7% (Figure 2).
- The share of people on disability benefit is among the lowest in OECD countries for older workers aged 50-64, but the fifth highest for young adults aged 20-34.
- Public spending on sickness and disability as a share of GDP is lower in New Zealand than it is on average across the OECD, 1.3% compared to 1.9%.
- The unemployment rate for people with chronic health problems or disability in 2006 was around half that of the OECD average, at 7.4% compared to 13.7%. But it was more than twice New Zealand's unemployment rate for people without health problems (Figure 3).
- Employment rates of people with health problems or disability in 2006 were among the highest in the OECD, 59.5% compared to 43.6%. However, incomes of those employed are lower than for the general population of New Zealand.

POLICY CHALLENGES

1. **Strengthen systematic early identification and intervention.** For most new benefit claimants, active measures are coming too late. Many people move onto sickness or disability benefit via other working-age benefits and have, thus, been out of work for many years.

- Absence monitoring for sick workers and health status monitoring for unemployed/inactives.
- Break the link from sickness to disability through earlier intervention.

2. **Involve and engage employers.** Like in many other OECD countries, employers should increasingly be seen as part of the solution, not part of the problem.
 - Give more responsibilities, matched by better financial incentives, to employers during the sickness phase for them to prevent illness and retain jobs.
 - Provide better tools and supports for employers to fulfil strengthened responsibilities.
3. **Turn sickness and disability benefits into re-employment payments.** The voluntary nature of employment supports is the main factor in explain the low take-up of services – with only 10% of all Sickness and Invalid’s Benefit recipients ever participating in interventions that help them leave benefit, compared to over 70% for those on Unemployment Benefit.
 - Introduce participation requirements for new and current beneficiaries similar to those used for unemployment benefit, in line with the person’s work capacity

Figure 2. **Disability benefit recipiency rates in 2008, New Zealand in comparison with 30 other OECD countries, plus OECD average (percentages)**

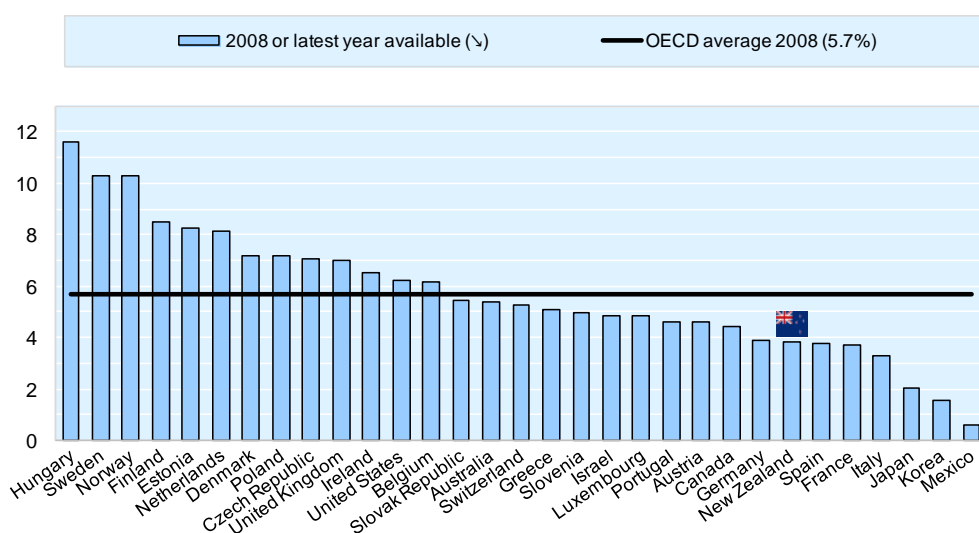


Figure 3. **Selected key labour market indicators by disability status, around 2006/2007 i.e. before the recent economic downturn, New Zealand and OECD averages (percentages)**

