

# **CRISIS, UNEMPLOYMENT AND DISABILITY BENEFIT CLAIMS: Does structural reform matter?**

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[www.oecd.org/els/disability](http://www.oecd.org/els/disability)

## OUTLINE OF THE PRESENTATION

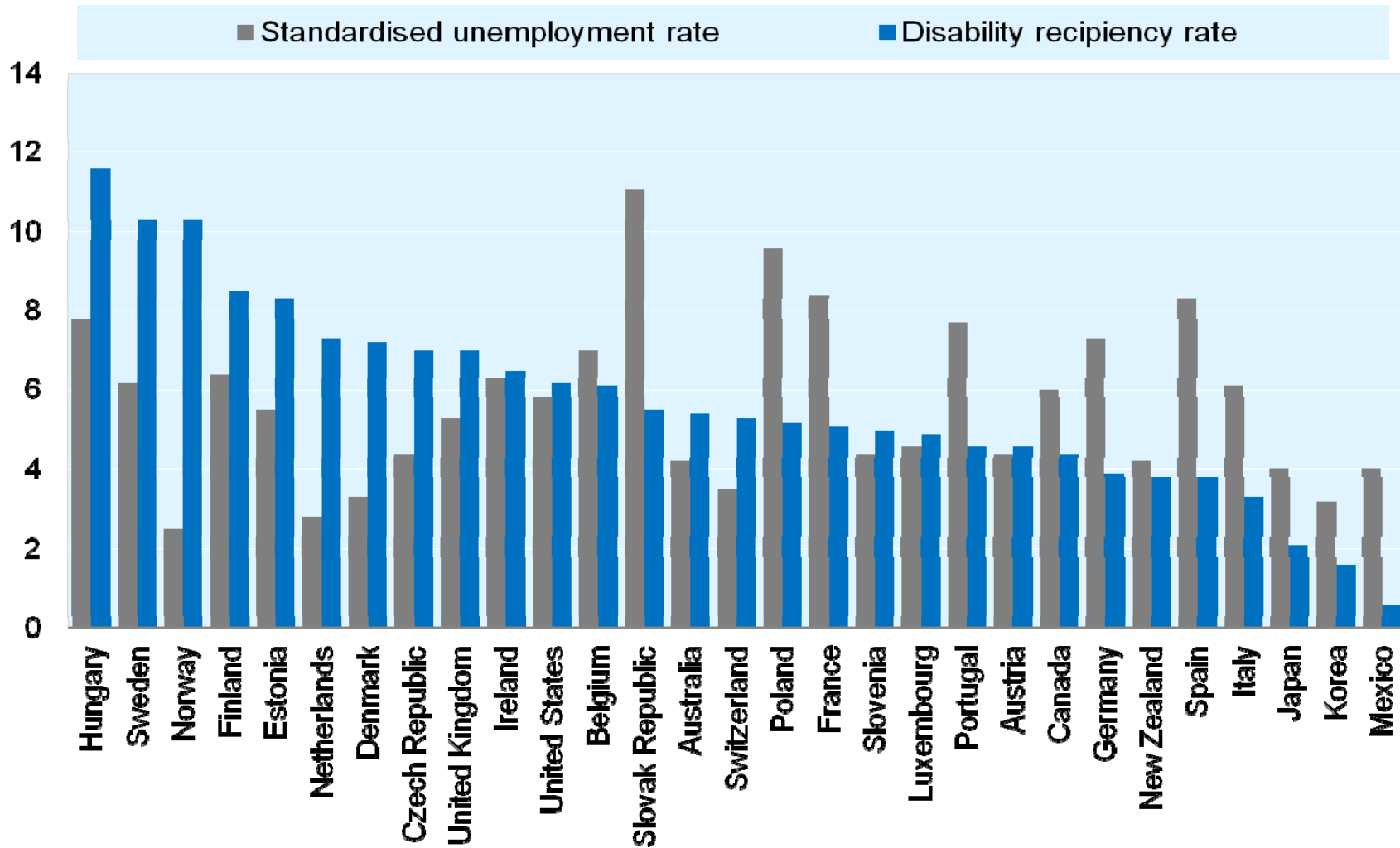
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- Unemployment and disability
- Post-crisis disability beneficiary trends
- Long-term disability beneficiary trends
- Programmes and policies that seem to work
- New challenges and conclusions

# UNEMPLOYMENT AND DISABILITY

## Disability is often higher than unemployment



Source: OECD (data refer to the year 2008).

# UNEMPLOYMENT AND DISABILITY

## Some thoughts on their relationship

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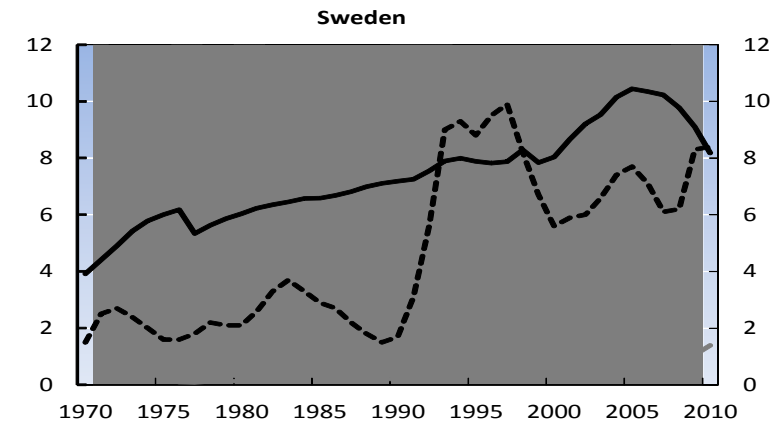
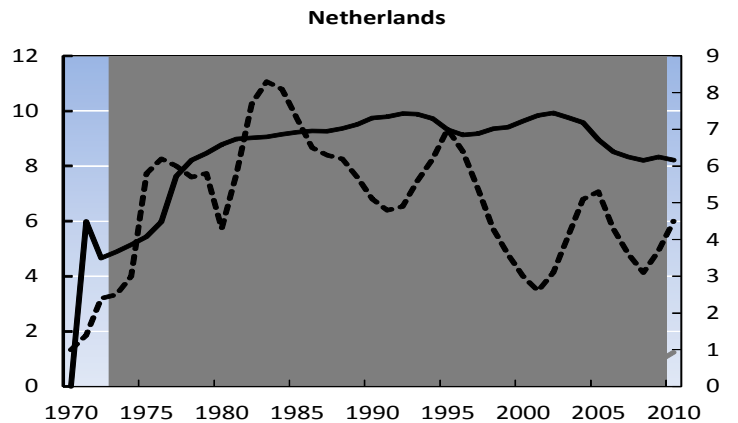
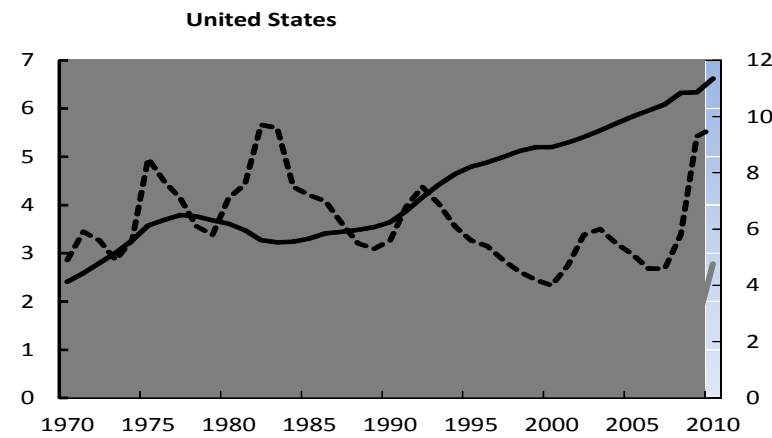
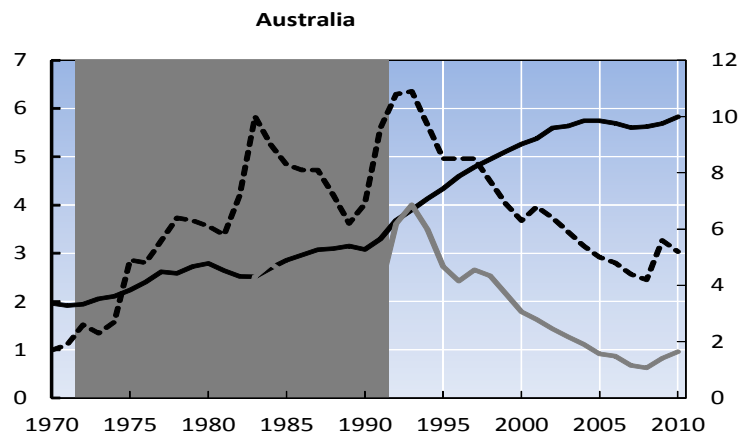
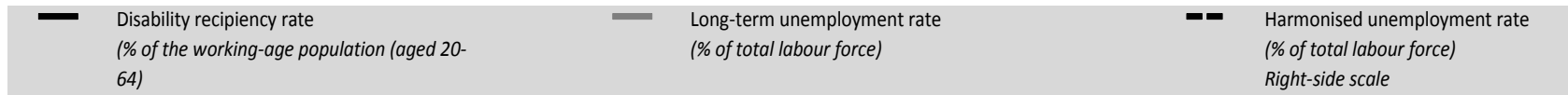
- People with disability are likely to be laid-off first in the wake of downsizing or an economic downturn
- Long-term unemployment is likely to worsen health and can lead to disability
- Once on disability benefit, people never return back to the labour market (contrary to unemployment)
- Disability as hidden unemployment and, vice versa, unemployment as hidden disability

# POST-CRISIS TRENDS

## Causal links as well as substitution effects



### Unemployment and disability benefit recipiency rates in four countries, 1970-2010



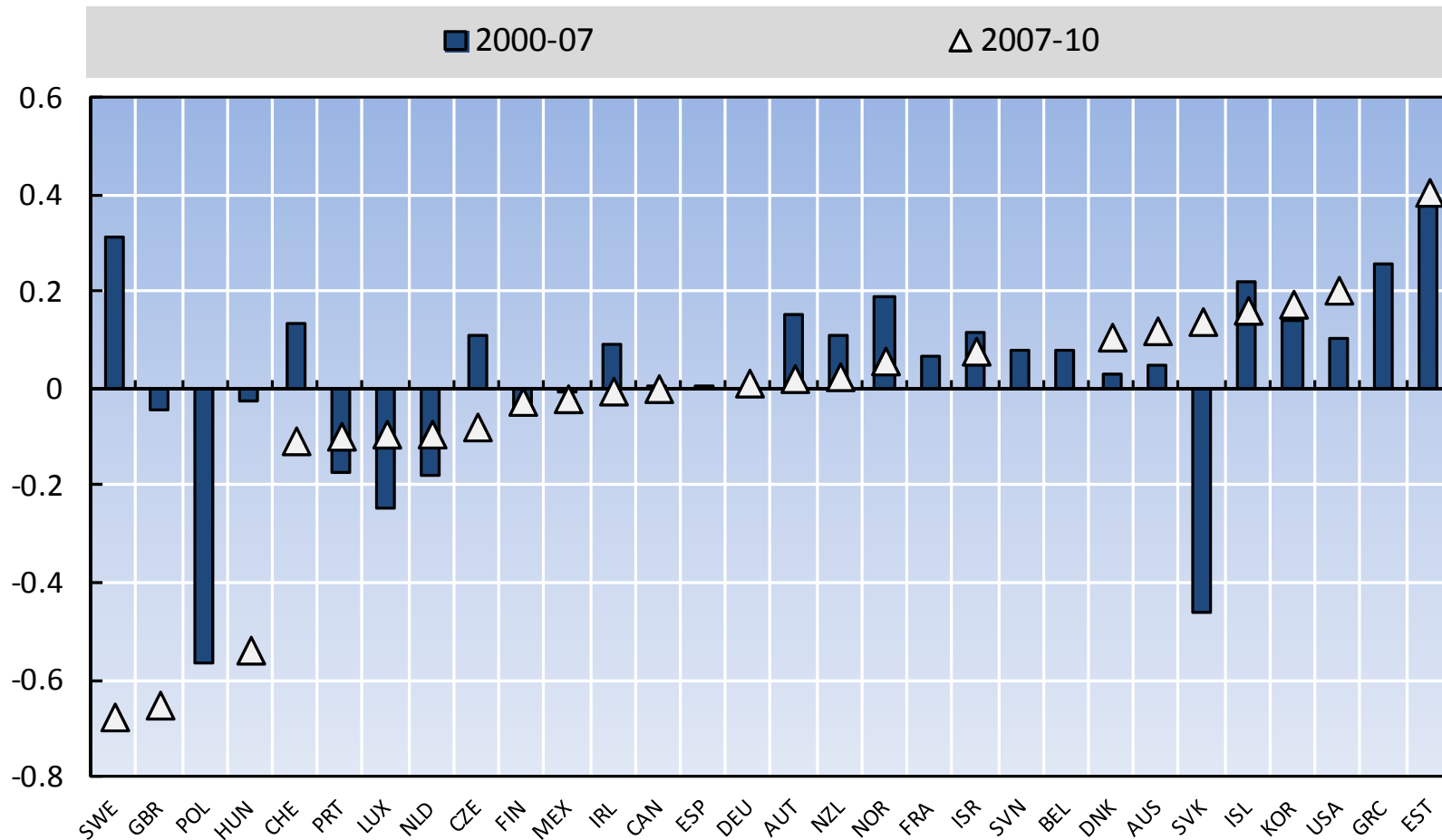
Source: updated from OECD (2010), *Sickness, Disability and Work: Breaking the Barriers*, OECD Publishing, Paris.

# POST-CRISIS TRENDS

## Structural reforms seem to make a difference ...



Annual average growth of disability benefit caseloads, before and after 2007



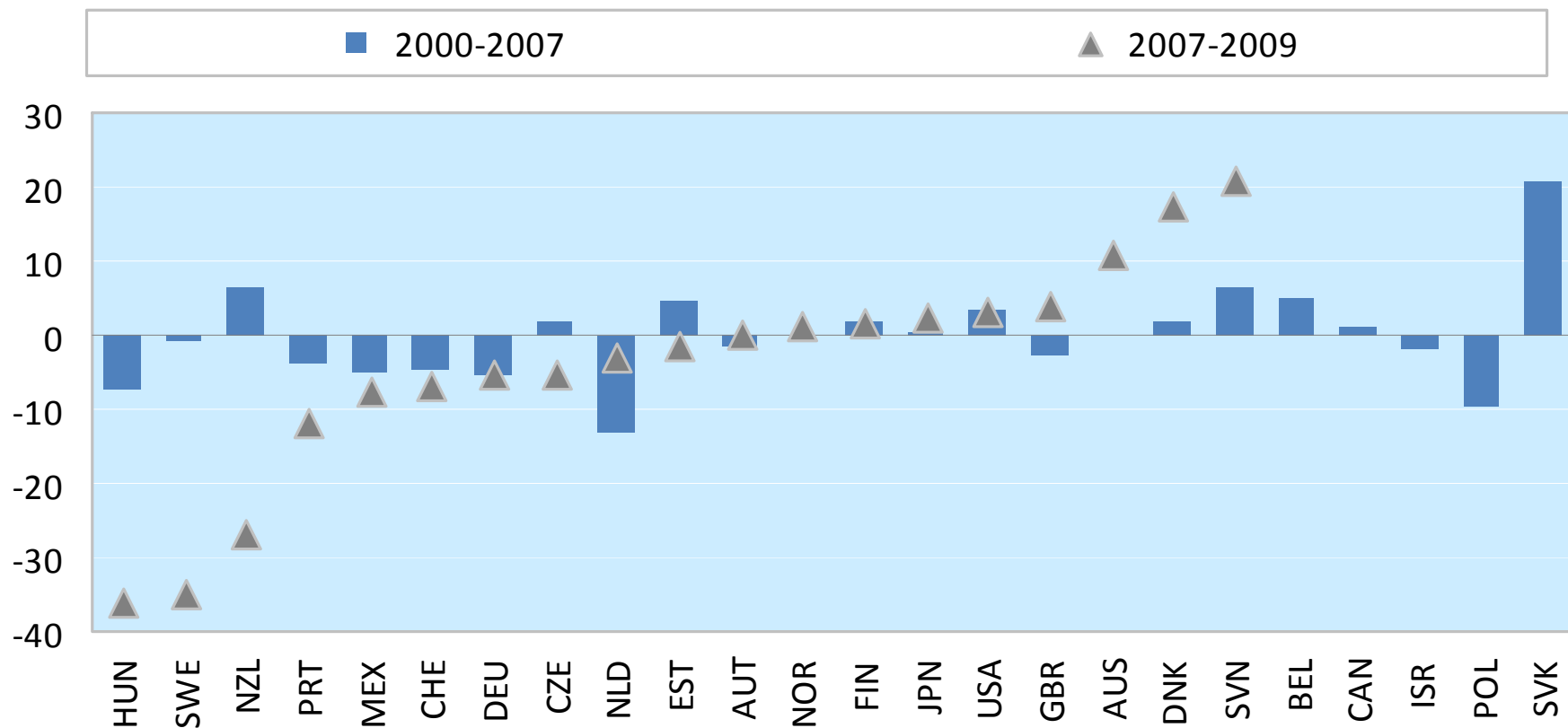
Source: OECD (2011), *Employment Outlook*, OECD Publishing, Paris.

# POST-CRISIS TRENDS

... but data availability limits the conclusions



Average annual growth in the number of new disability benefit claims, before and after 2007



Source: OECD.

## POST-CRISIS TRENDS

### Preliminary conclusions

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- Several countries have seen increases in disability beneficiary rates in the aftermath of the great recession
  - This is in line with findings from previous downturns
- Time lag from unemployment to disability implies that it is too early to conclude on the impact of the crisis
- Moreover, easier/longer access to unemployment benefit in this crisis has reduced the pressure on disability
- Countries that have embarked on structural reform prior to the crisis have often seen a continuation in the trend decline
  - The resilience of structural disability reform is promising

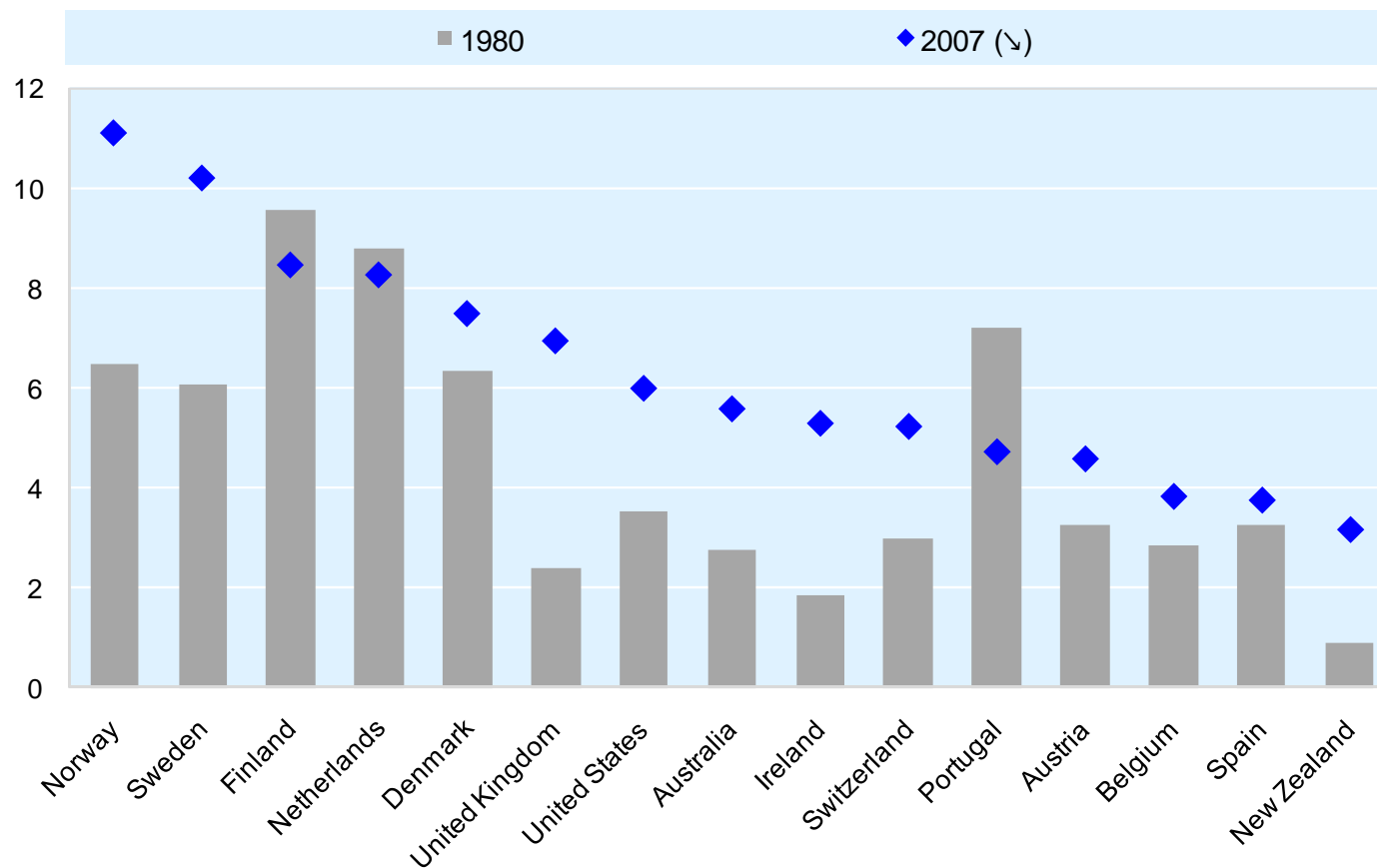


# LONG-TERM TRENDS

## Disability beneficiary rates are rising fast



Disability benefit recipients in per cent of the population aged 20-64 in 15 OECD countries, early 1980s and 2008



Source: OECD (2010), *Sickness, Disability and Work: Breaking the Barriers*, OECD Publishing, Paris.

## LONG-TERM TRENDS

### Can non-policy factors explain the trend?

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- Demography?
  - Explains only some of the trend
- Health?
  - Objective measures have improved
- Labour markets?
  - Temporary employment
  - Industry structures
  - Working conditions

# LONG-TERM TRENDS

## Conclusion on policy factors

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- Disability benefit has become the main working-age benefit in many OECD countries (benefit of last resort)
  - Driven by policy
    - Reform of unemployment benefit and social assistance schemes (activation agenda)
    - Reform of pension schemes (phasing-out of early retirement)
    - Absence of equally comprehensive disability reform
- ⇒ Outcomes are the result of a wrong policy choice
- ⇒ Urgent need to consider structural disability reform

## EFFECTIVE POLICIES

### (1) Improved financial incentives

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- Strengthening financial incentives for employers
  - e.g. experience-rated premiums for sickness, work injury and disability benefits; flexible hiring incentives
- Making work pay for individuals
  - e.g. compensation for earnings loss or wage supplement; better phase-out of benefits; benefit suspension rules
- Addressing incentives for authorities and providers
  - e.g. outcome-focus to improve quality and efficiency; performance targets, benchmarking, direct incentives

## EFFECTIVE POLICIES

### (2) Stronger responsibilities and activation

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- Strengthening individual responsibilities
  - e.g. cooperation requirements, training obligation, regular interviews; reassessment and reapplication
- Enforcing prevention and monitoring responsibilities
  - e.g. absence monitoring and systematic follow-up; occupational health services; return-to-work plans
- Engaging with clients more systematically & earlier
  - e.g. easy access to information and employment supports; early identification and intervention if needed

## EFFECTIVE POLICIES

### (3) Better assessment and system structures

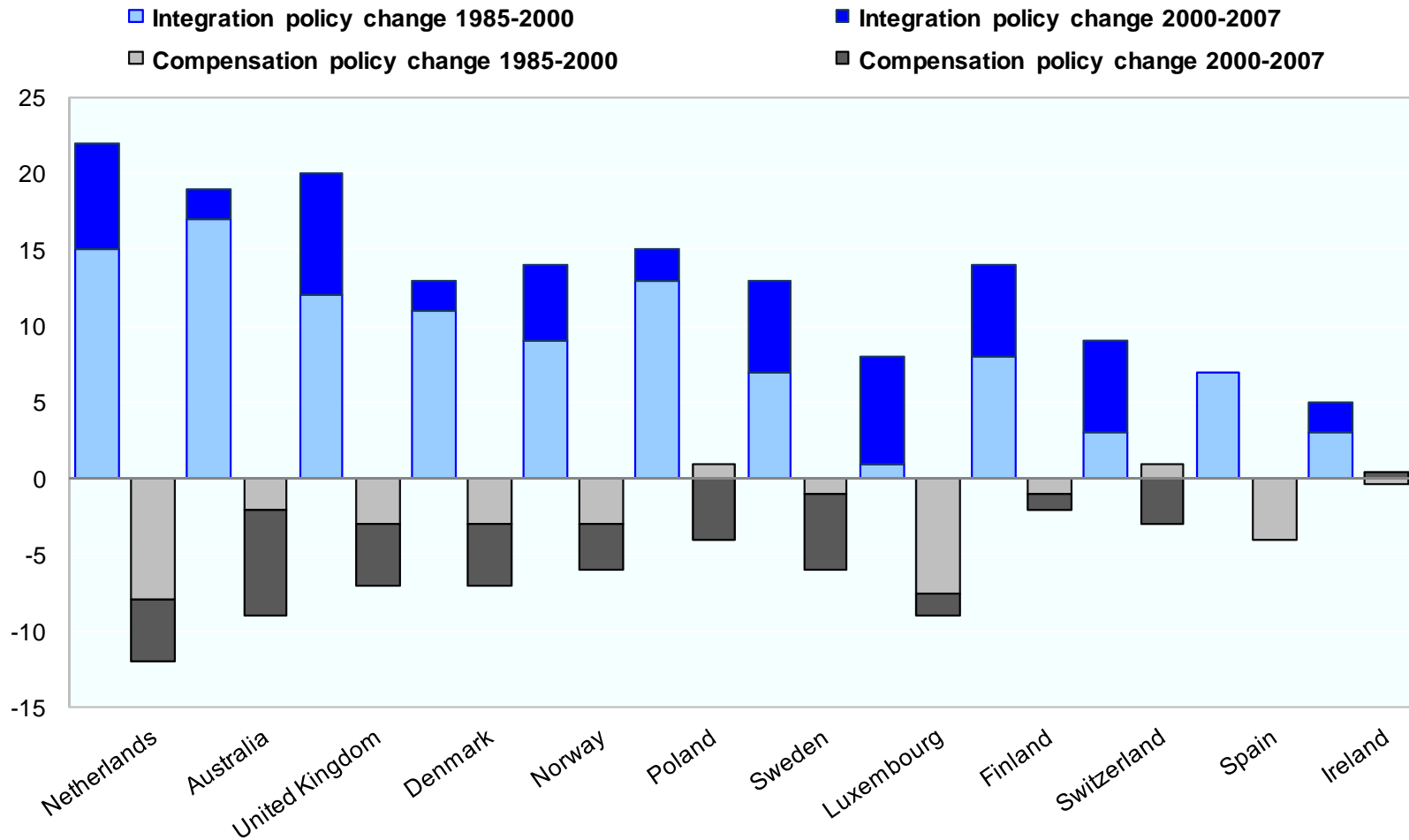
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- Assessing capacity not incapacity
  - e.g. work capacity assessment; different treatment of those with partial capacity; assess the unemployed
- Enabling employers, doctors and benefit authorities
  - e.g. targeted employer supports; absence duration guidelines for doctors; special medical services
- Improving cross-agency cooperation
  - e.g. reciprocal information exchange; cross-funding; bringing together or merging of institutions

# EFFECTIVE POLICIES

Policy has changed remarkably in many countries ...

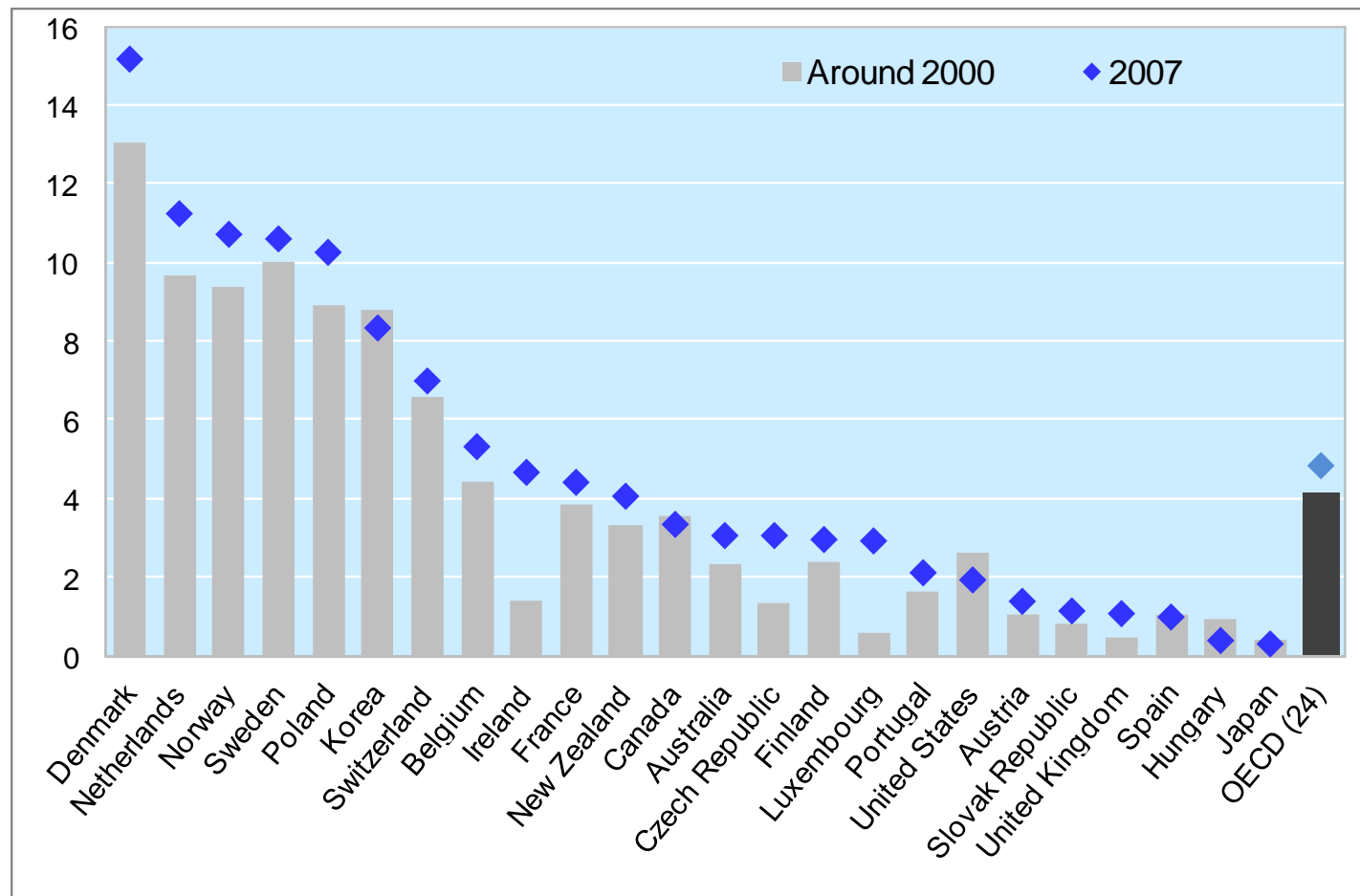


Source: OECD (2010), *Sickness, Disability and Work: Breaking the Barriers*, OECD Publishing, Paris.

# EFFECTIVE POLICIES

## ... but “active” spending generally remains low

Proportion of vocational rehabilitation and employment-related public spending in total incapacity-related spending, selected OECD countries, 2000-2007



Source: OECD (Sickness, Disability and Work review)



## NEW CHALLENGES

### Mental ill-health: a new labour market policy issue



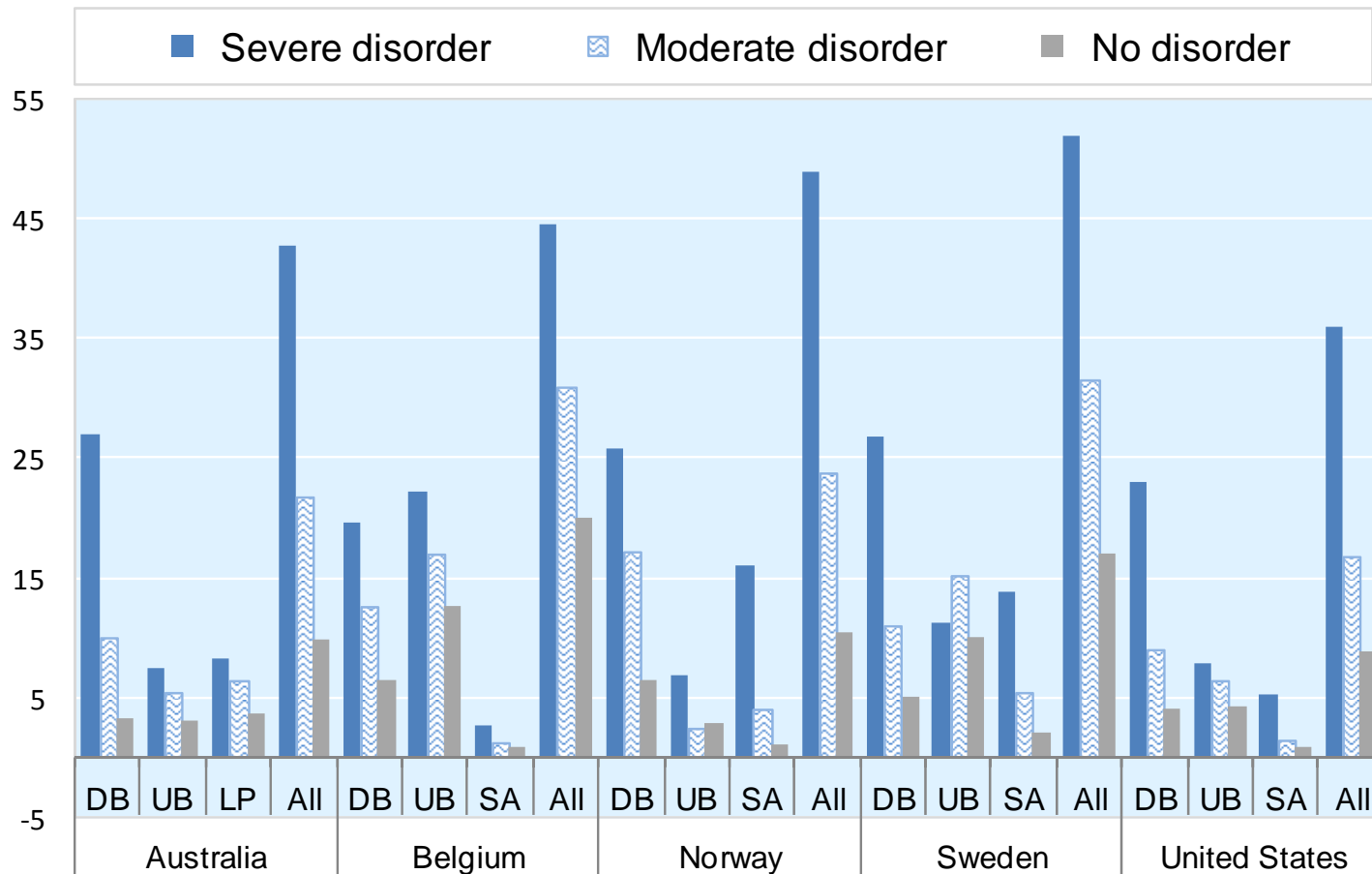
- Disability benefit claims increasingly for mental disorders
  - One-third of all claims; half to three-quarters among young claimants
- At the same time, most people with mental disorder have a job
  - Around half of those with severe and two-thirds with a common mental disorder are employed
- Moves onto disability benefit generally through unemployment
  - People with a mental disorder access a range of different working-age benefits, disability benefit being just one of them

# NEW CHALLENGES

## People with mental ill-health access different benefits



Proportion of the working-age population receiving a benefit by mental health status and by type of benefit received, latest available year



Source: OECD (Mental Health and Work review)

# CONCLUSIONS

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- Resilience of comprehensive reform
  - Structural reform makes a difference in a crisis
- Policy reorientation is needed to address underlying long-term structural issues
  - The disability problem was caused, and will be solved, by policy
- Structural reform involves critical policy choices
  - Need to transform sickness and disability schemes into labour market programmes
  - Is the distinction between unemployment and disability useful?
  - Are systems equipped to deal with mental ill-health?

# THANK YOU

For further details and OECD publications:

[www.oecd.org/els/disability](http://www.oecd.org/els/disability)