



# EXECUTIVE SUMMARY

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## Disability and employment – lessons from reforms

This seminar report focuses on policies directed at restricting inflow into disability and sickness benefits and promoting employment among those with partial work capacity. First, the introduction deals briefly with employment rates of older workers and the ages of exit from the labour market in different countries. Secondly, some key lessons and good-practice examples arising from the OECD's Sickness, Disability and Work review are summarised. In the following articles experiences from the Netherlands, Denmark and Sweden, which are countries that have implemented major reassessment of their sickness and disability policies in recent years, are presented. The experiences of these countries are particularly interesting from the Finnish point of view, since the social partners agreed in 2009 to find ways to postpone retirement and to raise the average effective retirement age. The disability pensions play a major role in this context. The report concludes with a short review of the shared challenges in these countries and sheds some light on policies that appear to work.

### ***Employment rates of older workers and exit from the labour market***

In order to ensure adequate labour supply and long term financial sustainability of pension systems many OECD countries are seeking to increase the labour force participation of older workers. The countries represented in this report, Denmark, Sweden, the Netherlands and Finland, all have relatively high employment rates in a European comparison. On average,

they also have longer periods of active and working life than other EU countries. However, in comparisons of exit ages from the labour market, these countries do not fare that well. To a great degree, the gap between the effective and the official retirement age reflects the existence of early retirement schemes. A common concern is that disability pensions function as a major route to early retirement and that re-entry to employment from benefits is scarce. In addition to the challenge of maintaining the relatively high employment rates, the four countries also need to tackle the more challenging questions on how to improve employability of groups currently outside or at the margins of the labour market. A significant part of this target group consists of people with reduced work capacity.

### ***Lessons from Reforms and Lack of Change across the OECD Countries***

Disability benefit schemes have generally not been reformed to the same degree as other benefit schemes even if recently a lot has been done in many countries and the focus is increasingly on benefit system change. Denmark, Sweden and especially the Netherlands all belong to those countries that have gone or are going through a series of comprehensive reforms.

The reforms carried out in the different OECD countries can be grouped along three key challenges: creating employment-oriented sickness and disability benefits, making employers and medical professionals part of the solution and getting the right services to the right people at the right time. General lessons that can be drawn from the OECD review are among other things that the incentives and responsibilities for the main actors – workers, employers and public players alike – are not good enough, a fragmented institutional structure with too many and badly connected parts is a big barrier for any improvement and that prevention, health/sickness management and early intervention are essential for both workers and the unemployed.

Even if knowledge transfer and learning from good-practice policy elsewhere is possible in the field of disability and sickness policy, it is still limited for reasons such as lack of rigorous evaluations of effectiveness and the long time-lag until an effect of a policy change could be measured.

### ***Disability Benefit Reforms in the Netherlands***

Debates on disability in the Netherlands have been dominated by a concern over the relatively high numbers of disability benefit claimants and the costs related to this. The Dutch spending on disability benefits has been well above the EU-15 average level on a permanent basis. Reforms of the disability benefit schemes started more than twenty years ago but it is only recently that reform measures seem to result in a structural decline of the number of beneficiaries. Clearly, the reforms imply a retrenchment of disability entitlements for disabled workers, and they have reconstructed substantially the incentive structure for both employers

and employees with respect to their rights and duties regarding short-term and long-term disability. Employers now carry the costs involved much more directly than before.

Although the numbers of disability benefits are declining, and while increasing emphasis has been placed on what disabled workers can do instead of what they cannot do, the actual labour participation of disabled people has gone down in the course of the 21st century. Also a new 'numbers problem' is evident in regard to the Dutch disability benefit. This time, the problem concerns the explosive increase of young people claiming disability benefits.

### ***Reforms to stop people from ending up on disability pensions in Denmark***

Employability enhancement has been part of Danish employment policy since 1990, but the focus of initiatives has shifted. In 2003 a disability pension reform was carried out. The aim of the reform was to ensure that everyone with an ability to work also had the opportunity to use this ability on the labour market, primarily in jobs on normal terms or, if this was impossible, in so called flex jobs. The target group for flex jobs is people under the age of 65, who suffer from a permanent reduced ability to work.

One of the focus areas in Denmark has been increasing absenteeism due to sickness. The Danish Parliament recently adopted a new Sickness Benefits Act, which launches a number of initiatives to strengthen efforts made by enterprises, municipalities, unemployment insurance funds, GP's and the sick employees themselves to maintain an attachment to the labour market.

Denmark has seen a marked increase in the number of flex jobs, without an appreciable corresponding drop in the number of people on disability pensions. Some years ago, the Government set up a Labour Market Commission, which recommended special development programmes for the individuals who are at risk of ending up on disability pension and that the flex job scheme should be more targeted towards people with a limited ability to work, and so that subsidy levels better motivate employers and people in flex jobs to increase working hours, when possible.

### ***Changes to reduce sickness absence in Sweden***

During the major part of the last three decades, sickness absence volumes in Sweden have been among the highest in OECD countries. This trend has been broken only in recent years.

During the 2000's a number of reforms have been implemented to reduce sickness absence. The government's emphasis has been on the so called employment line and the importance of early intervention. In 2008 a new sick leave process – the rehabilitation chain – was established. The purpose of the new sick leave process is to provide incentives for a more active sick leave process and to prevent the risks of long periods of sick leave and ensuing

permanent estrangement. The new sick leave process has fixed time periods concerning how the insured person's work ability shall be assessed. Since 2008 early retirement is granted only when individuals have suffered a permanent reduction of their work ability, and when all rehabilitation possibilities have been tried or deemed unbeneficial in the restoring of the work ability.

The goal has been to reduce the number of people going on sick leave, and to ensure that those who do go, stay on sick leave for a shorter period of time than before. These objectives have been reached. Sickness absence volumes have decreased heavily, without a corresponding overflow to unemployment.

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