

05/2014

FINNISH CENTRE FOR PENSIONS, REPORTS

EXECUTIVE SUMMARY

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Sickness allowance, rehabilitation and unemployment history of disability retirees

A register based study

Retirement on a disability pension is the most common reason for working lives ending prematurely. Reducing disability pensions would thus be an important way of adding to the years spent working. If problems with working capacity are detected early and quickly addressed, it might be possible to prevent them becoming extended and permanent. In order for working capacity limitations to be addressed at an earlier stage than currently, it is essential to understand the processes preceding retirement on a disability pension.

Retirement on a disability pension normally occurs only after approximately a year of sickness allowance. Concerning the number of accumulated sickness allowance days, various intervention points exist where working capacity and the remaining working ability is assessed. Rehabilitation can be used to prevent retirement on a disability pension and support return to work of those already retired. Occupational healthcare coordinates the follow-up of working capacity and has a significant role in evaluating long-term incapacity to work. Unemployment preceding retirement on a disability pension is, however, common, and this introduces significant challenges to the follow-up and maintenance of working capacity.

This report examined the sickness allowance, rehabilitation and unemployment history of persons retiring on a disability pension, using data that combines register information from the Social Insurance Institution (Kela) and the Finnish Centre for Pensions. The data included everyone aged thirty or more whose disability pension based on the earnings-related or the national pension scheme started during 2011. The sickness allowance and rehabilitation history was monitored retrospectively in one year time intervals, starting 10 years before the

start of disability pension, and the unemployment history was monitored starting 6 years prior to the start of disability pension. The main focus of the study was on persons who retired on a full disability pension (N= 17 208). Some analyses were also performed among retirees on a partial disability pension from the earnings-related pension scheme (N= 4 222). Retirees on a disability pension were also compared to a control group consisting of those who had not retired on a disability pension but were similar in age and gender.

Already ten years prior to the start of disability pension, the share of sickness allowance recipients was larger for retirees on a full disability pension than for the control group. As the disability retirement approached, the share of persons receiving sickness allowance grew steadily. The development was fairly identical in all diagnosis categories for disability pension. Throughout the follow-up period, the share of sickness allowance recipients was larger among those who retired on a disability pension due to musculoskeletal diseases or depression. The results pointed in the same direction when examining the annual number of sickness allowance days. All in all, however, the number of sickness allowance days was fairly small also among those who retired on a disability pension. For instance, a third of all retirees on a disability pension had received sickness allowance during the year preceding retirement on a disability pension, and sickness allowance days numbered on average 25.

The Social Insurance Institution (Kela) should evaluate the rehabilitation needs of the client no later than when sixty sickness allowance days have been paid in full, and if necessary, take additional measures together with the other parties involved. For approximately fifty per cent of retirees on a disability pension, the first sickness allowance period lasting over 60 days only began during the last or second last year preceding retirement on a disability pension, and not everyone had any such period. In the previous 10 years, only 40 per cent of those retiring on a disability pension in 2011 had a sickness allowance period of at least 60 days that had started earlier than two years before the start of the disability pension.

As a rule, the disability pension can only start after sickness allowance has been paid for approximately a year. In some situations, the disability pension can, however, be granted without first applying the primary sickness allowance. In the analysis, a separate group was created of those who retired on a disability pension without the primary period of sickness allowance having been completed. In both groups, the early history of sickness allowance was similar, but three years prior to the start of the disability pension, the share of sickness allowance recipients increased more strongly in the group of those retiring on a disability pension via a different route than the sickness allowance. Also those retiring on a disability pension by a different route than sickness allowance had more sickness allowance days if the pension was granted due to back problems, other musculoskeletal diseases or depression.

Concerning rehabilitation, we examined the rehabilitation arranged by Kela and the earnings-related pension providers. From Kela's rehabilitation we included participation in rehabilitation and adaptation training, rehabilitative psychotherapy, rehabilitation to maintain work ability ("TYK-kuntoutus"), and work coaching, work trials and training. Of

those retiring on a full disability pension, a larger share than in the control group had been in rehabilitation already for ten years prior to the start of the disability pension. The share of persons in rehabilitation grew significantly in the last year prior to retirement, but even then only 6 per cent had participated in rehabilitation arranged by Kela. Most common was participation in rehabilitation and adaptation training courses, including for instance ASLAK rehabilitation. The share of persons participating in rehabilitation was largest among those retiring on a disability pension due to mental disorders. A large share of Kela's rehabilitation is targeted to those younger than 30 years, and is thus not included in this study.

Vocational rehabilitation is arranged by the earnings-related pension providers for those who have spent longer time in working life. The most common measures are work trials and job coaching, as well as vocational retraining. All in all, rehabilitation covered by the pension providers was scarce. During the year preceding retirement on a disability pension, only 1.4 per cent had participated in earnings-related pension rehabilitation. Earnings-related pension rehabilitation was most common among those retired due to musculoskeletal diseases. The share of people in rehabilitation arranged by pension providers grew with the approach of disability pension. Also in the control group, the share of rehabilitation participants grew during the follow-up, which reflects the fact that rehabilitation by pension providers has become more common in the 2000s.

Unemployment history was examined six years from the start of the disability pension. Unemployment prior to disability pension retirement proved a fairly common phenomenon. Approximately a third of new retirees had days of unemployment when examining single years, whereas in the reference groups the figure was about 15 per cent. Over half of all new retirees, but only a third of the control group, had spent at least some time in unemployment during the six years preceding the pension.

Unemployment increased somewhat as disability retirement approached. However, most of this increase reflects the growth of unemployment over time since 2008. Unemployment was especially common among those who retired due to other mental health problems than depression. Unemployment was clearly less common only in the group of disability retirees who retired due to tumours, but even in this group it was more common than in the control group.

Unemployment was more common among those who retired on a disability pension via other routes than the normal sickness allowance. On average, persons who retired on a disability pension outside the normal route had been unemployed a third of the preceding year, and a fifth of them had been unemployed for the entire year.

The aforementioned results only concern those retiring on a full disability pension. Disability pension according to the earnings-related pension scheme may be granted also in the form of partial disability pension, if the working capacity has decreased by at least 40 per cent but not by the 60 per cent required for a full disability pension. As a rule, people retire on a partial disability pension directly from working life, and typically those on partial disability pension

continue part-time work alongside their pension. With partial disability pension, a preceding long sickness allowance period is not required and the demands on the primary period of sickness allowance are not in force.

During the ten years preceding retirement, the share of persons receiving sickness allowance was larger among those retiring on a partial disability pension than those receiving the full disability pension. The share of persons receiving sickness allowance grew with the approach of the partial disability pension, same as for those retiring on a full disability pension. Among persons retiring on a partial disability pension due to mental health problems the increase was even larger.

Among those retiring on a partial disability pension, participation in Kela's rehabilitation was clearly more common than it was for retirees on a full disability pension. Participation in rehabilitation was especially common among partial disability pension retirees who retired due to mental health problems: 22 per cent had participated in Kela's rehabilitation during the year preceding the start of partial disability pension. For retirees on both full and partial disability pension, participation in rehabilitation covered by the earnings-related pension providers was very scant up until the year preceding retirement. During the year preceding retirement, participation in rehabilitation increased markedly for partial disability pension retirees, especially if the pension had been granted due to mental disorders.

Retirees on a partial disability pension had clearly less unemployment than retirees on a full disability pension. The established connection with working life that is maintained by retirees on a partial disability pension is also likely to be the most important explanation for why the share of sickness allowance recipients was larger than among those on a full disability retirement. Retirees on a partial disability pension were also older and more often women, which may explain why sickness allowance was more common among them.

The results of this study show that receiving sickness allowances among those on full disability pension became more common as the disability pension approached, but a large group of disability retirees did not have any significant history of sickness absence. This is partly because unemployment among retirees on a disability pension was common. Participation in rehabilitation was scant and only increased during the last few years preceding retirement on a disability pension. Retirees on a partial disability pension had more sickness allowance and rehabilitation and less unemployment than those retiring on a full disability pension. When considering the results, it is important to note that the study only included retirees on a disability pension. Thus, for instance, persons who had returned to working life following rehabilitation or sickness allowance lasting over 60 days were not included in the group under examination.

The Publication is available only in Finnish:

Työkyvyttömyyseläkkeelle siirtyneiden sairauspäiväraha-, kuntoutus- ja työttömyyshistoria: rekisteripohjainen tarkastelu. Eläketurvakeskuksen raportteja 05/2014.

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Ordering of publication:

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Sickness allowance, rehabilitation and unemployment
history of disability retirees: a register-based study
or aineistotilaukset@etk.fi

ISBN 978-951-691-199-4 (s-b)

ISBN 978-951-691-200-7 (PDF)

ISSN-L 1238-5948

ISSN 1238-5948 (printed)

ISSN 1798-7490 (online)



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