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ESCAPING THE DISABILITY BENEFIT TRAP

Disability policy lessons for New Zealand

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Outline of the presentation

- Disability policy is becoming a key issue for economic and employment analysis
- Empirical evidence across the OECD: Understanding the problems
- A comparative policy analysis: In most OECD countries, more needs to be done
- Challenges and policy changes in New Zealand: Lessons from across the OECD

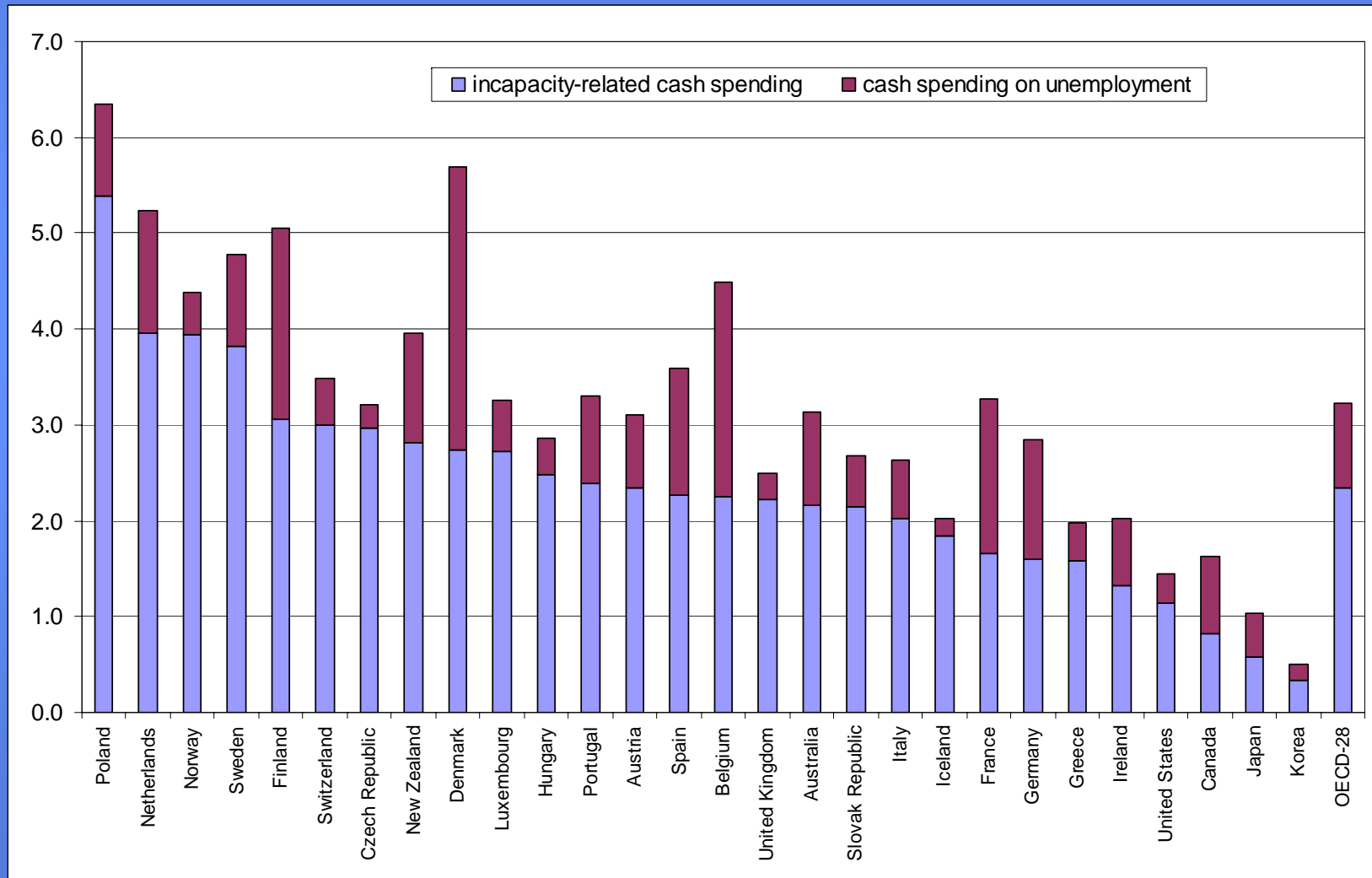
The growing importance of disability policy

- ❑ Maybe the key unsolved social policy problem
- ❑ High public spending, but only limited and unsuccessful attempts to change this
- ❑ Increasingly becoming the “benefit of last resort” in many OECD countries
- ❑ Key issue in the context of pension reform
- ❑ Key issue in the context of ageing and low employment rates of older workers
- ❑ Major waste of human resources – people become healthier but less work-able ?

HIGH PUBLIC CASH SPENDING

Public incapacity- and unemployment-related spending in % of GDP, 2001

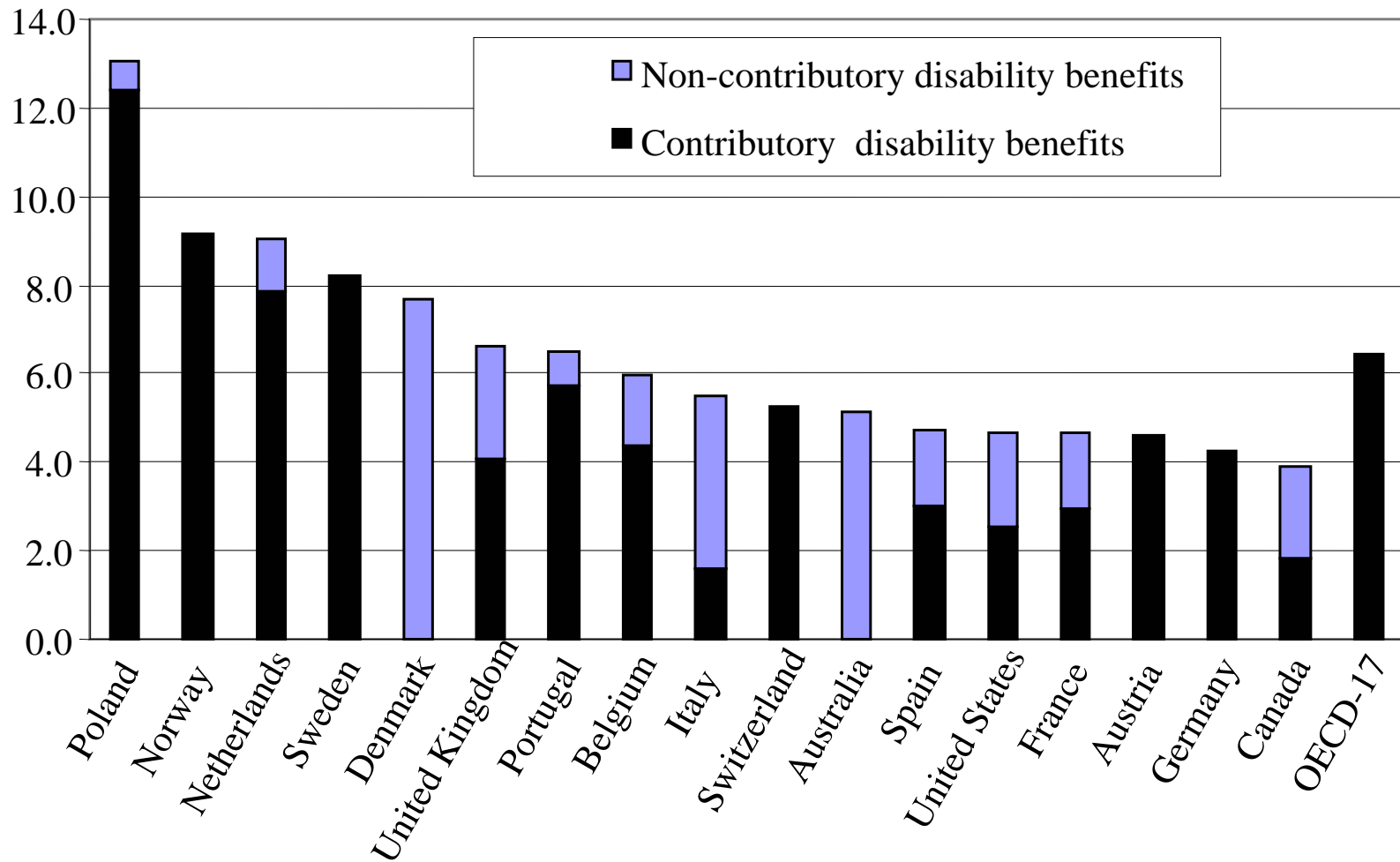
Source: OECD (2004), Social Expenditure Database, Paris.



HIGH DISABILITY BENEFIT RECIPIENCY

Disability benefit recipients per 1000 of the working-age population, 1999

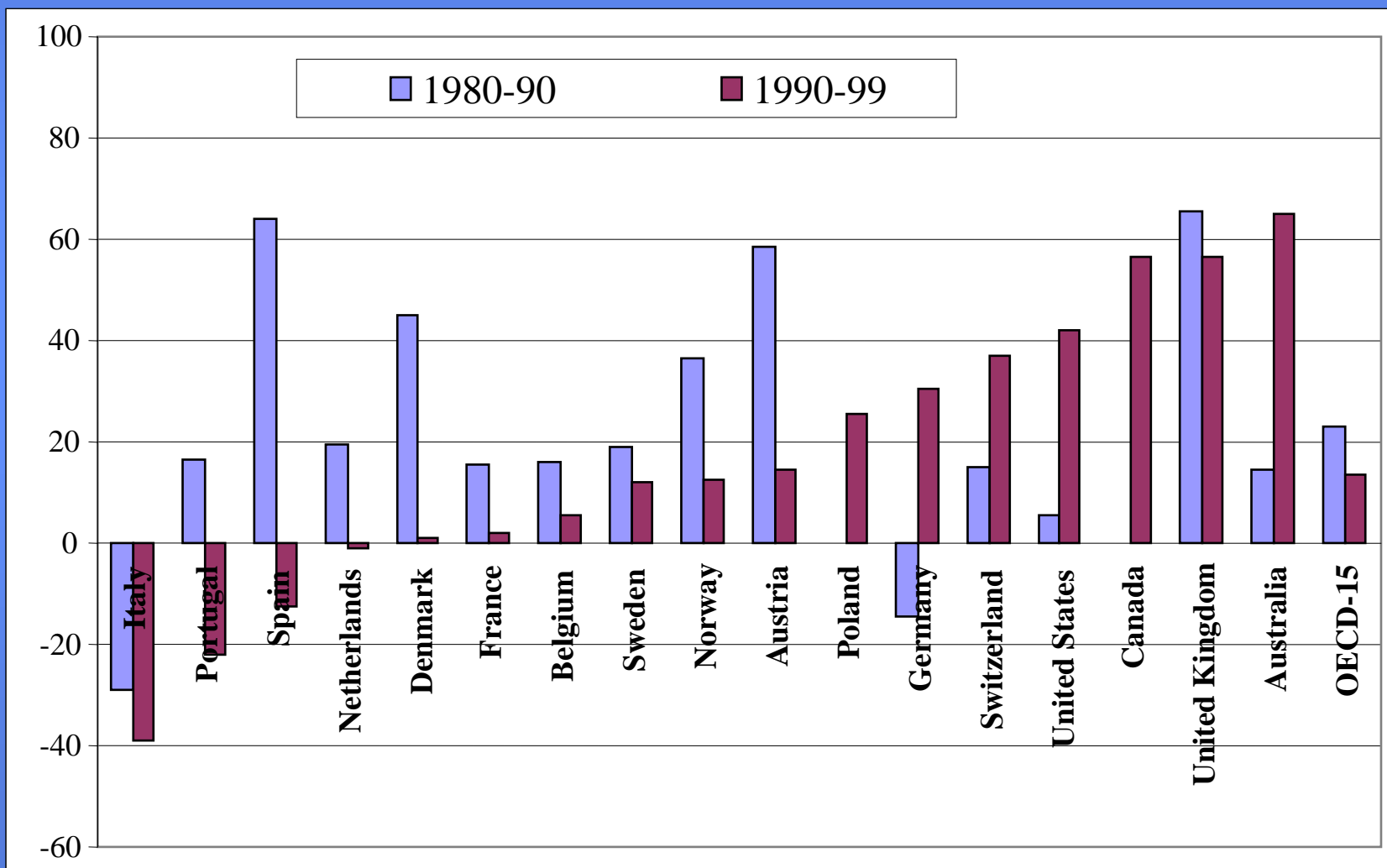
Source: OECD (2003), Transforming Disability into Ability, Paris.



RAPID BUT DECLINING GROWTH

Growth in disability benefit recipiency 1980-90 and 1990-99 (percentages)

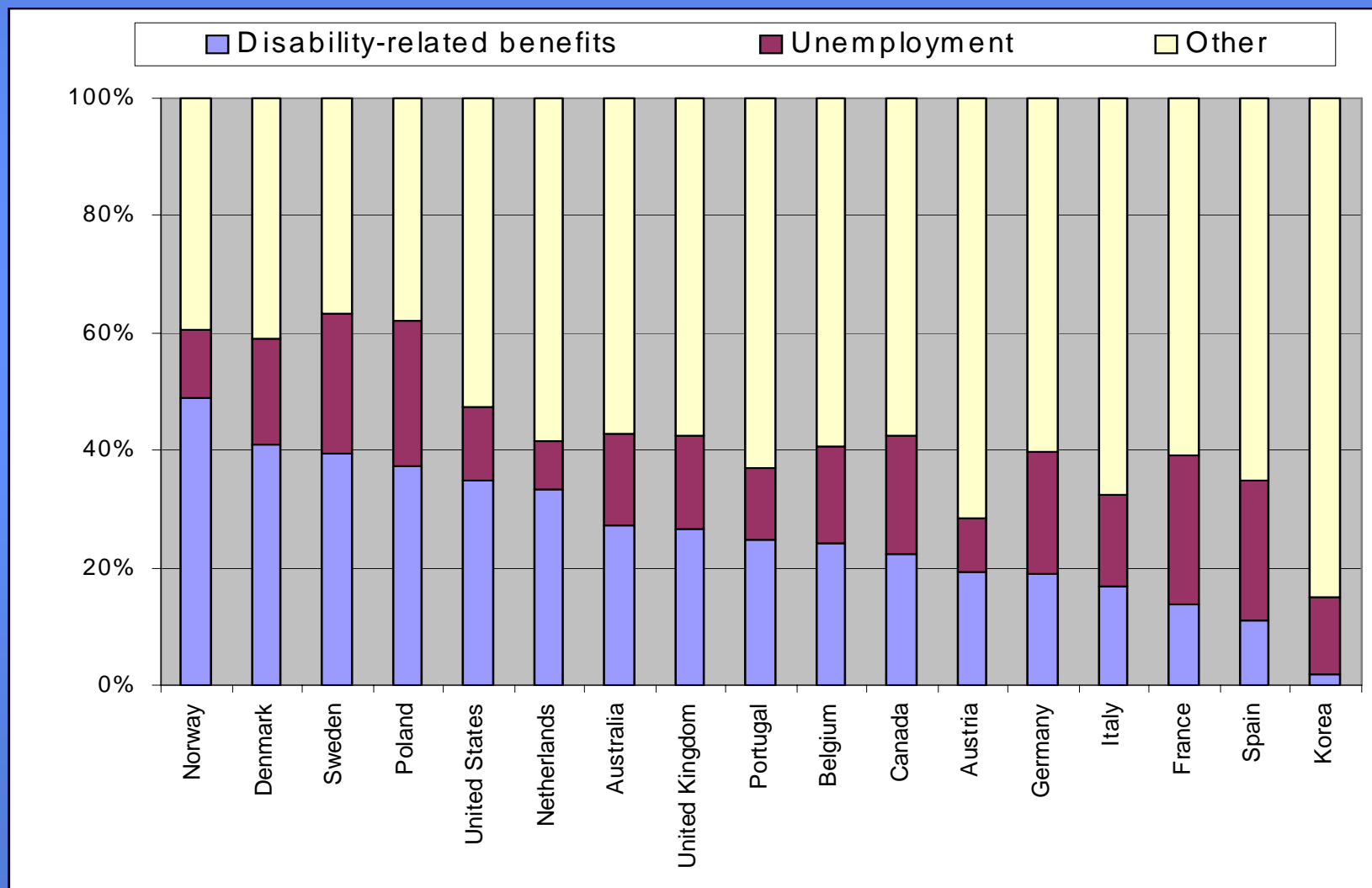
Source: OECD (2003), Transforming Disability into Ability, Paris.



DISABILITY A SOURCE OF NON-EMPLOYMENT

Share of disability and unemployment in total non-employment in %

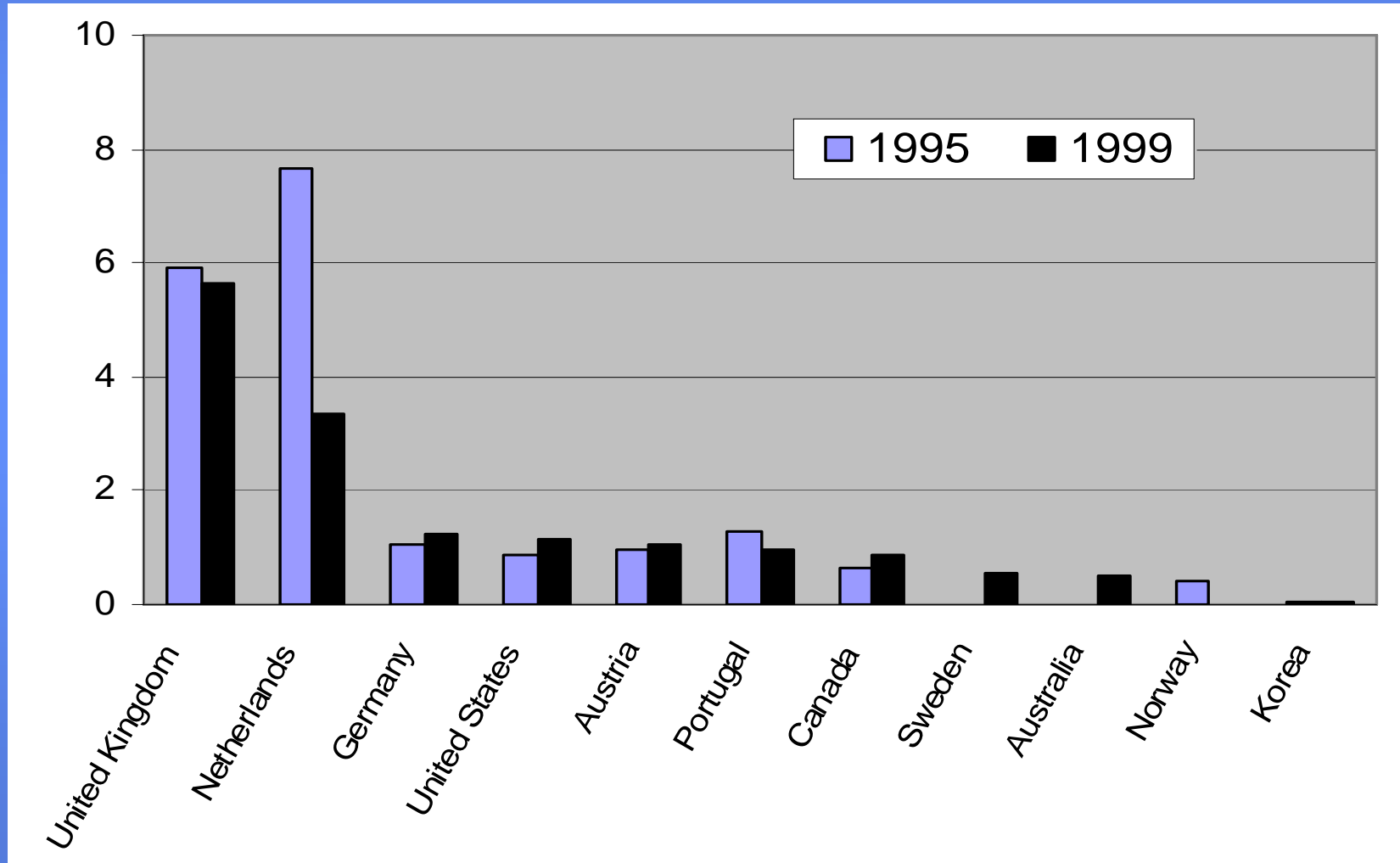
Source: OECD (2003), Transforming Disability into Ability, Paris.



LOW OUTFLOW FROM BENEFITS

Annual rates of outflow from disability benefits (percentages)

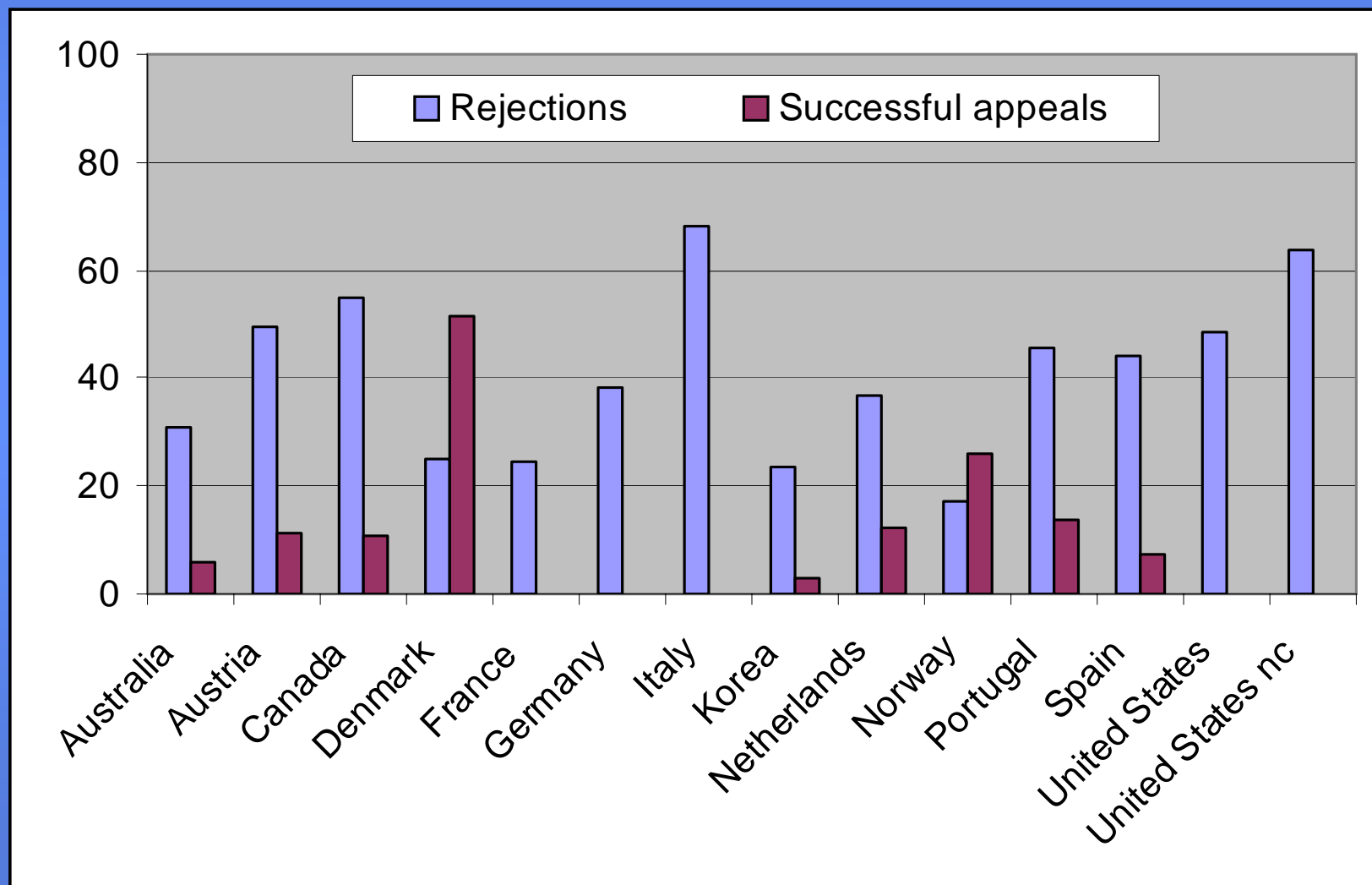
Source: OECD (2003), Transforming Disability into Ability, Paris.



MANY APPLICANTS ARE REJECTED

Rejected benefit applicants and successful appeals (percentages)

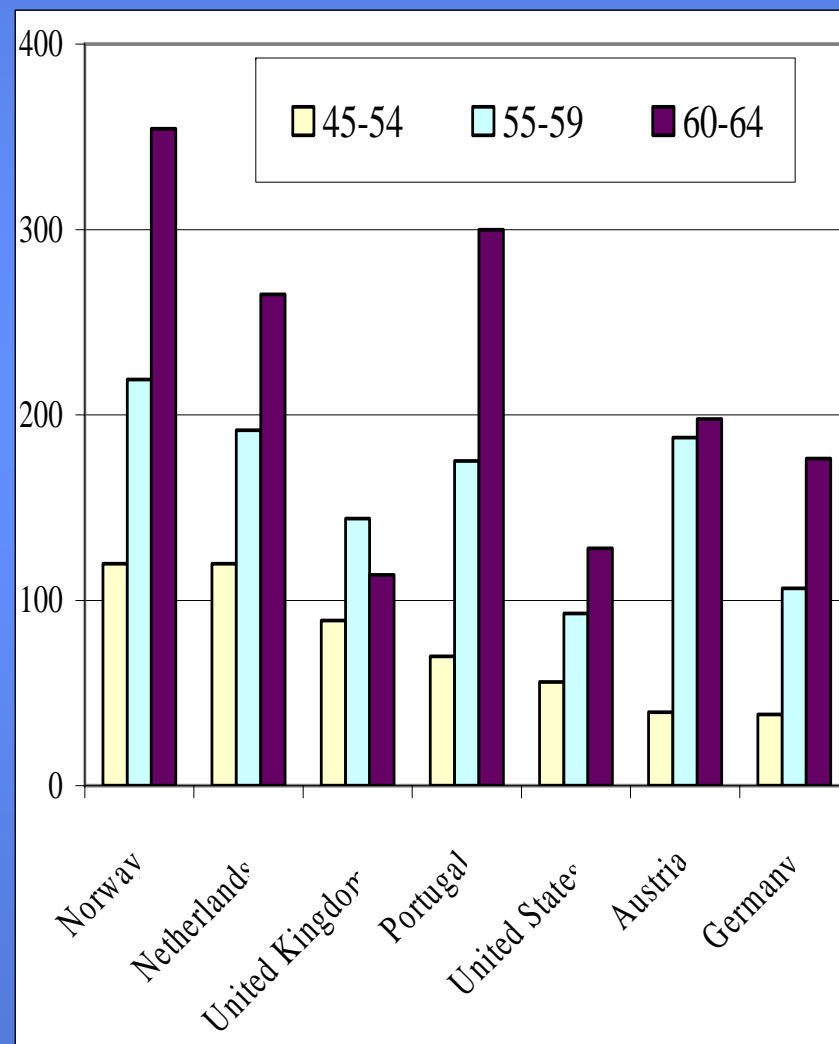
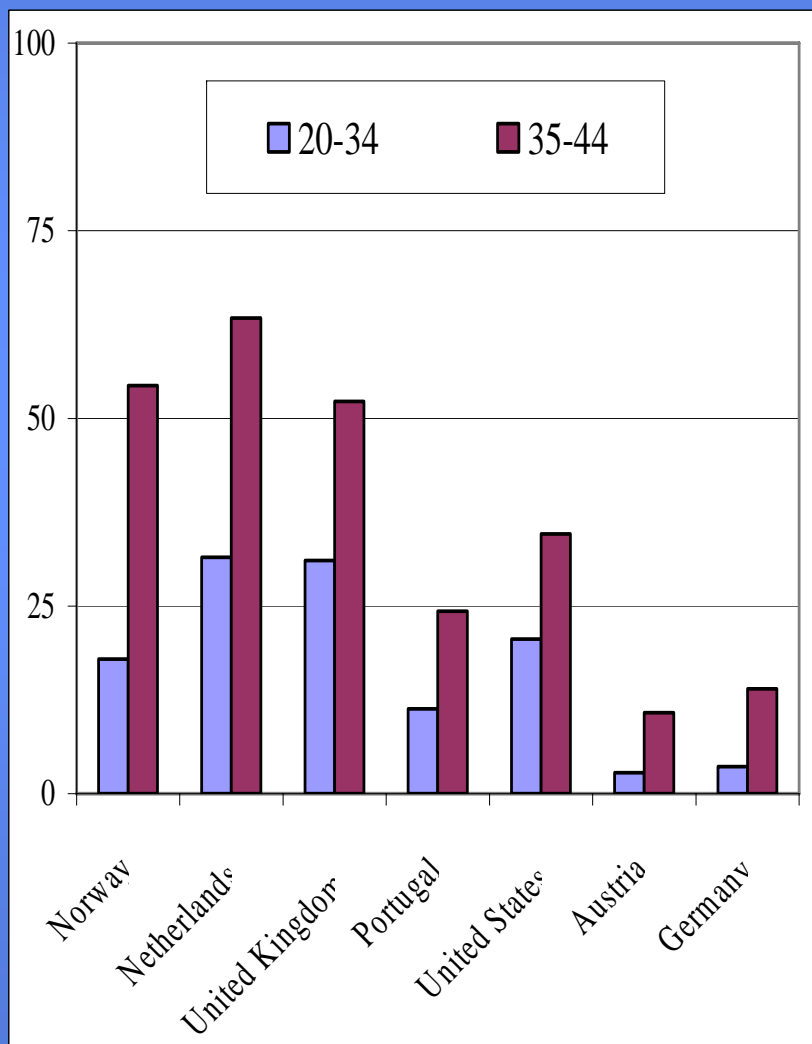
Source: OECD (2003), Transforming Disability into Ability, Paris.



PUZZLING AGE VARIANCE ACROSS COUNTRIES

Age-specific disability benefit recipiency rates (per 1000 of population), 1999

Source: OECD (2003), *Transforming Disability into Ability*, Paris.

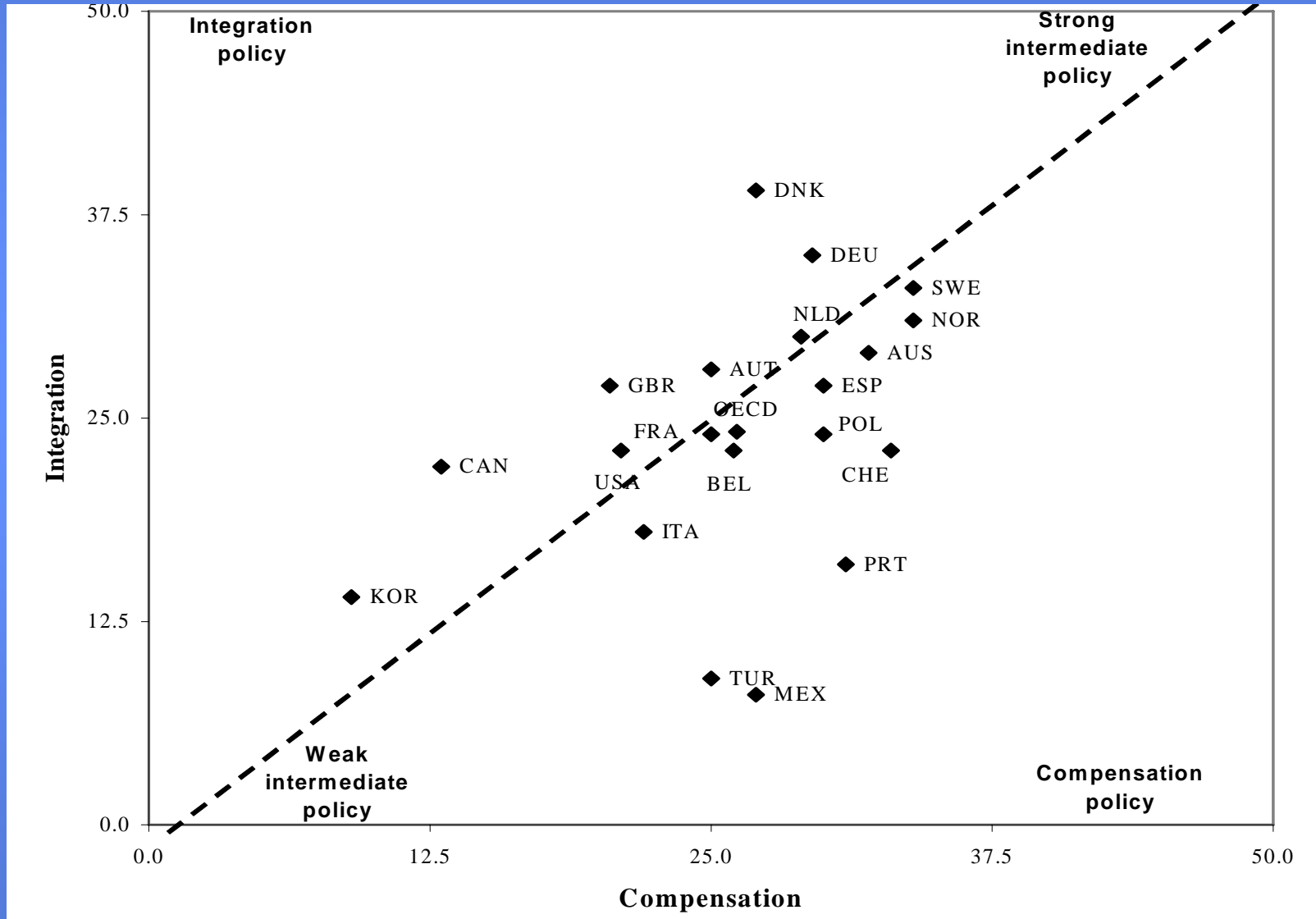


Different countries seem to have different problems

- ❑ Countries with disability benefit as the benefit of last resort (e.g. UK, US, (NZL?))
- ❑ Countries with disability benefit as another early retirement pathway (e.g. Austria, Germany, Portugal)
- ❑ Countries with disability benefit as the benefit of last resort and as early retirement pathway (e.g. Netherlands, Norway)

DISABILITY POLICY TYPOLOGY 2000

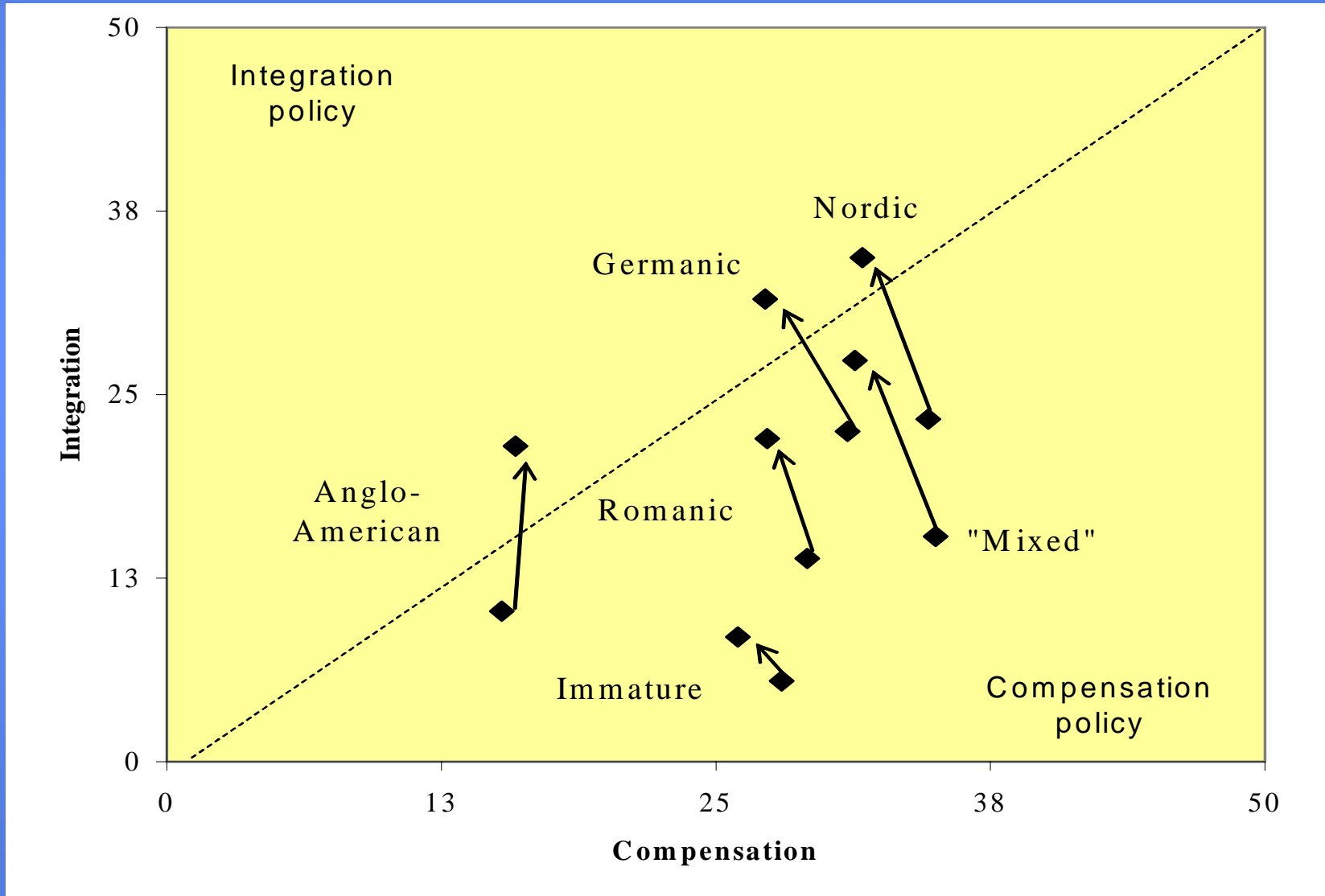
Source: OECD (2003), Transforming Disability into Ability, Paris



LARGE AND PARALLEL POLICY SHIFTS

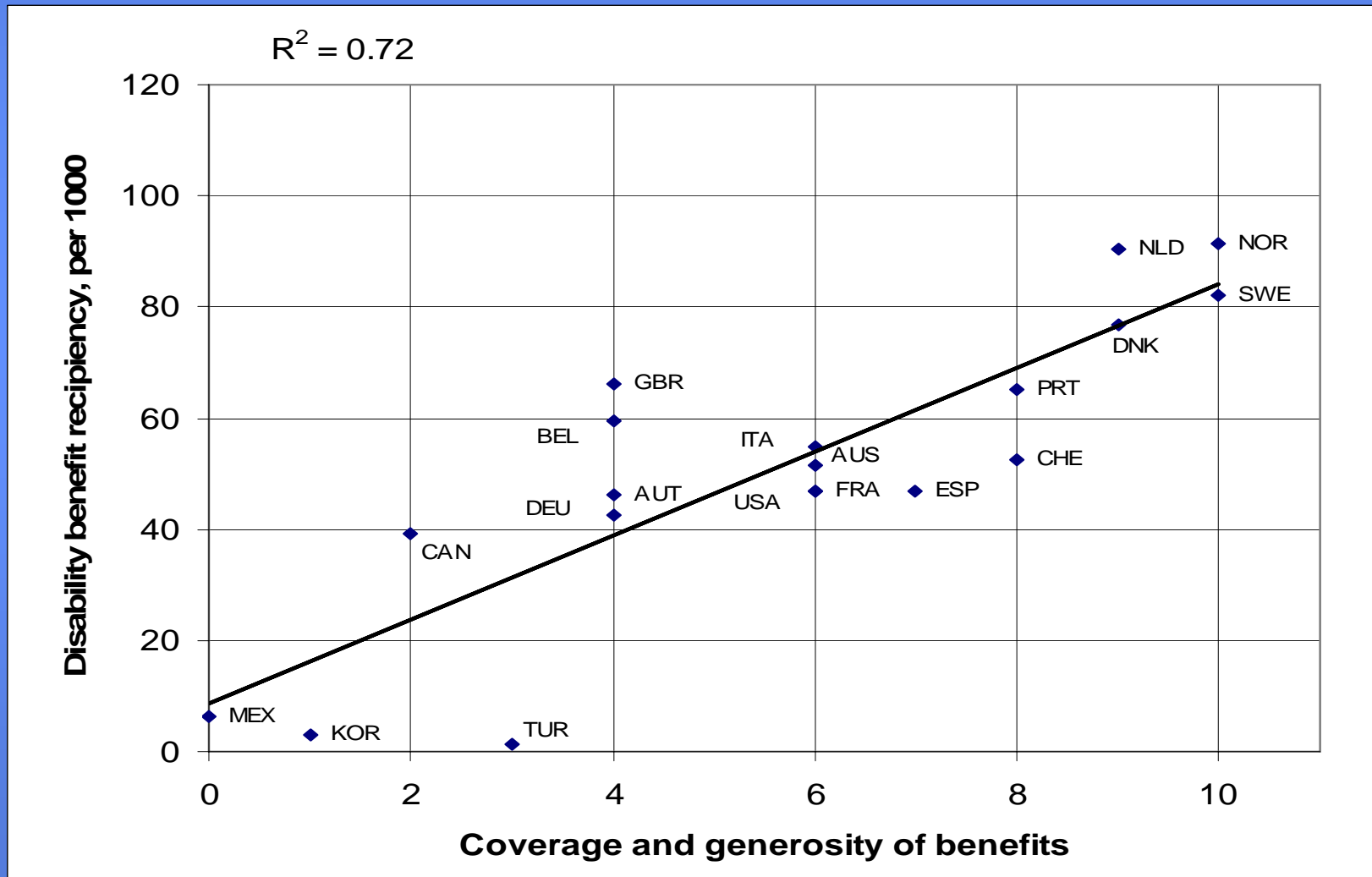
Policy shifts for six clusters of countries, 1985-2000

Source: OECD (2003), Transforming Disability into Ability, Paris.



BENEFIT GENEROSITY AND EASE OF ACCESS DETERMINE RECIPIENCY LEVELS

Source: OECD (2003), Transforming Disability into Ability, Paris



The situation in New Zealand

- ❑ Below-average IB/SB reciprocity levels
- ❑ Above-average increase in reciprocity levels
- ❑ Situation comparable to UK and Australia
- ❑ Very successful UB reform (enhanced case management, stronger post-placement support, emphasis on mutual obligations)
- ❑ Lack of similar efforts for IB/SB clients: recent attempts to extend the DPB approach to IB/SB only a very first, small step

Why reform is needed

- ❑ Reforms to other social protection systems are gradually maturing
- ❑ Demands at work, especially psychological demands, continue to increase
- ❑ Continued ageing of the population of working-age
- ❑ Benefit applications have been increasing more rapidly than benefit awards
- ❑ Too much focus on benefit outflow, and too little focus on avoiding IB/SB inflow

How to escape?

Transform the disability benefit scheme into a flexible labour market programme

KEY ELEMENTS IN THIS:

- ❑ Assess needs and, if necessary, intervene earlier: Avoid IB benefit inflow through job search, training, rehabilitation and prevention
- ❑ Disentangle eligibility for support from work ability and work status: Make cash benefits a flexible (in-work) tool that covers extra costs and the labour market disadvantage

KEY ELEMENTS IN THIS (continued):

- ❑ Break the link from temporary sickness to permanent disability
- ❑ Implement a mutual obligations approach, as was done successfully for UB (and less so DPB) clients to achieve policy consistency
- ❑ Provide individualised, tailor-made pre- and post-placement support, thereby emphasising abilities and opportunities
- ❑ Integrate employers into the process, and design proper financial incentives for them
- ❑ Monitor outcomes vigilantly