

Conference

on

Transforming Disability into Ability

Policies to promote work and income security for disabled people

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Opening Speech:

Transforming Disability into Ability –

Results and conclusions from the OECD's study of disability policies for the
working-age population in 20 member countries

by

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Introduction

Good morning, ladies and gentlemen.

It is a pleasure for me to welcome you to this conference in the beautiful city of Vienna on behalf of the OECD. I would like to take the opportunity to thank the Austrian government for their generous financial support and our co-organisers, the European Centre, for the excellent collaboration in organising this event.

I am proud to present to you today the main results and conclusions of our first comprehensive analysis of disability policies for the working-age population – even more so as 2003 is the European Year of the Disabled Person.

I would like to start my talk this morning by giving you some interesting facts and numbers about disability in OECD countries - facts and numbers, which were surprising for us. In the second part of my talk I will present our policy conclusions and propose a radically new approach to disability, which places employment, rather than income support, at the heart of disability policy.

Surprising facts about disability

- Did you know that Norway spends 5.5 percent of GDP on disability-related programmes? This is *more than 12 times* the amount Norway spends on unemployment. More generally, on average OECD countries spend at least twice as much on disability-related programmes as they spend on unemployment programmes. Yet compare how much press attention is devoted to unemployment as compared with disability!
- Did you know that in the Netherlands rates of disability benefit inflow among women under the age of 35 have *doubled* in the last 15 years, while the same rates have remained unchanged for women over age 55 and have even declined for men at all ages? Disability benefit recipients in many countries are now younger and are more likely to be female than previously.
- Did you know that here in Austria every second man retires on grounds of disability? As in many other countries, disability benefits are used a support for early retirement.
- And did you know that in OECD countries about half of those with severe disabilities do not receive disability benefits? At the same time, about one third of those who get disability benefits say that they are not disabled!

Furthermore, why do we find such large differences in disability across countries that enjoy similar levels of economic and social development?

Disability benefit rates have been increasing in almost all OECD countries over the past decades. Disability programmes account for more than 10 percent of total social spending on average, reaching 20 per cent in the Netherlands, Norway and Poland. In spite of such high expenditures disability benefit rates are not declining. And, in many cases, disability policies do not seem to reach those who need support the most.

The results of our study suggest that disability benefits systems and their rules strongly influence the number of people on disability benefits. In other words, policy matters – there is no “natural” rate of disability. It matters how countries define and assess disability, how they define entitlement to benefits,

how they award benefits and, especially, how generous disability benefits are. The availability of other social benefits also has an impact on disability benefit rates. The less accessible other out-of-work programmes are, the more heavily disability programmes are used. In the United States and the United Kingdom, for example, disability benefit rates increased as entry to unemployment and early retirement programmes became more restricted.

Our study also yielded a disheartening message for policy makers: different policy approaches by different countries had little or no effect on outcomes. The most striking – and devastating – commonality was that the outflow from disability programmes to a job is virtually nil in all countries. Starting to receive disability benefit generally means that you will never work again. We found this to be the case even in those countries that make big efforts to reintegrate persons with disabilities. The United States and Australia, for instance, offer substantial monetary incentives to get people off disability benefit and back into work. Nevertheless, the result is depressing: very few people who receive disability benefit ever manage to find work.

Severely disabled people have particularly slim chances of finding employment; only one in four manages to find work. Disabled persons over the age of 50 and disabled people with low education levels are also very vulnerable. Most countries do offer special employment programmes for people with disabilities. These programmes are important for some groups, especially the severely disabled, but they do not have a large-scale impact on the overall employment rates of persons with disabilities.

Labour market integration programmes everywhere strongly discriminate against older disabled persons – this was another surprising result. Vocational rehabilitation and training are offered almost exclusively to people below the age of 45. Persons above this age are not even considered for such programmes, reinforcing the general labour market bias against older workers in most countries. Even special employment programmes, such as sheltered workshops or subsidised forms of employment, seek to help only young and severely disabled persons. Overall, vocational rehabilitation and training is offered too seldom, and often initiated too late. In most cases, employers are not sufficiently involved in the process.

Now you may ask why I talk so much about employment and labour market participation of persons with disabilities. Is it not too harsh to expect persons with disabilities to take up work rather than remain outside the labour market? Of course not. Most persons with disabilities wish to participate actively in society and are, of course, perfectly capable of doing so. What is lacking is the opportunity as well as the necessary training and support to do so. Furthermore, our study has shown that disabled persons in employment are doing much better economically than persons forced to rely on benefits.

In the general public, disability is often equated with severe handicaps, such as visual, hearing and mobility problems - impairments, which may require substantial aids and workplace adjustments and may make it very difficult for the affected person to stay in employment. In reality, severe disabilities affect only about one third of the working-age disabled. The majority suffer from stress-related, muscular, and cardiovascular diseases. In particular, mental and psychological problems are also on the rise: they are at the origin of up to a third of disability benefit cases in OECD countries.

More persons with disabilities should be able to re-enter the labour market after having been given proper rehabilitation and training. That many people with disabilities do not work is more down to policy failure and policy choice than personal preferences. Societies have dealt with some groups of disabled people by hiding them out of the way on often generous benefits but making no real effort to help them achieve their potential. Other groups were isolated on sheltered employment programmes, while programmes enabling them to work in the open labour market were often lacking or insufficient.

This segregating approach is not good enough for people with disabilities. Nowhere in social policy should we settle for income security only. This approach is also very expensive - the average per capita cost for vocational rehabilitation and training is low compared to the average cost of a disability benefit. This approach is, ultimately, not good enough for the taxpayers either. Finally, this policy is not good enough for the economy. Faced with population ageing, we simply cannot afford to tolerate a growing part of the working-age population being trapped in inactivity because they receive disability benefits.

Policy conclusions

Let me now turn to the second part of my presentation, the OECD's policy conclusions and our advocacy of a more ambitious approach towards disability policy. Usually, at the end of a big comparative OECD study, we come up with best practices and recommendations based on what we identified as particularly successful country experiences. But this time, I will have to disappoint you. In the 20 cases studied, we found plenty of examples of policy pitfalls to avoid, but I do not think that any country has a particularly successful policy for working-age people with disabilities.

However, we should not despair. Many countries do have interesting approaches and measures in place which show a way forward. These add up to a new policy approach that emphasises the economic and social integration of persons with disabilities.

This new approach has **five** key features :

- it recognises the status of disability independent of the work and income situation;
- it emphasises activation;
- it proposes a new structure for benefit systems;
- it introduces a culture of mutual obligations; and
- it gives a more important role to employers.

Recognising disability

The **first** key feature refers to the way that disability is understood. For policy to be effective, societies need to change the way they think about disability. For many people, the term "disabled" means "unable to work". This must change. Disability should be recognised as a condition but it should not automatically mean that a person goes on benefits, just as it should not automatically be treated as an obstacle to work.

We believe that access to disability-related services must be granted on the basis of disability, and not restricted only to those in receipt of a disability benefit. Too often, policy tries to put individuals into categories – those who need income support get help; those who don't are made to sink or swim on their own. This is not good enough. It can and does result in people becoming trapped on benefit, because moving into work means that they must give up other help that they need.

This change will also allow persons with disabilities to try out whether they are ready to take up work. They will keep the option to go back on benefits should they lose their job or should work turn out to be too hard. That way one can ensure that a person with disabilities is not penalised for taking the "risk" of re-entering employment.

Emphasising activation

The **second** key feature is a strong emphasis on activation. Each disabled person should be entitled to an "individual participation package". This package would contain various rehabilitation and work elements, as well as benefits in cash and kind. This individualised approach will place a wide range of new demands

on disability gatekeepers. Caseworkers will need extensive knowledge of the range of available programmes, benefits and services. More time will be required to assist individuals and follow each case.

The timing of activation measures is crucial. The longer a disabled person stays out of work, the more difficult it becomes for him/her to take up work again. In many countries, rehabilitation is only offered to people who already receive disability benefits and nothing is done during the whole previous period of sickness. Ideally, vocational training and rehabilitation should start at a very early stage of a health problem.

This new approach will not be cheap. Individually tailored assistance requires more resources than are currently spent on integration programmes. But in the long run, successful labour market integration of persons with disabilities will not only enable people to lead more fulfilled lives but will also generate substantial savings in benefit systems.

Restructuring benefit systems

The **third** key feature of the new approach is a restructuring of existing disability benefit systems. Most disability schemes are centred on income-replacing benefits and tie other services to the receipt of cash transfers. This discourages persons with disabilities from returning to work. We therefore propose to dismantle such systems so that all benefits and services can be awarded independently. In addition, cash benefits will have to be available with sufficient flexibility to adapt to different cases of remaining work capacity and to changes in the individual's disability status over time.

Take-up of work may need further encouraging. In-work benefits that top up the earnings from work are likely to be an effective policy instrument. Such payments should be strictly work-related and compensate lower earnings or reduced working hours which come about as a result of disability. In any case, after-tax income, including all transfers, needs to be higher for people in work than for those out of work. Otherwise, reintegration efforts are bound to fail.

Introducing mutual obligations

The **fourth** key feature – introducing mutual obligations - is a novelty in disability policy. Most societies readily accept their obligation to make efforts to support and integrate disabled persons, but it is less common to expect disabled persons to contribute to the process as well. As the focus of policy changes from primarily granting income replacement to providing individually tailored assistance for labour market integration, the relationship between society and persons with disabilities also changes. Disabled persons should receive income support, but if society makes a sincere and appropriate effort to help them to participate more fully in society in general, and in employment in particular, it is only right and proper that individuals make a genuine attempt to take advantage of such opportunities.

Involving the employers

The **fifth** key feature is a more important role for employers. Involving employers is crucial for the successful re-integration of disabled persons. Existing employer - employee relationships should be utilised as much as possible. There are different ways to do this, ranging from moral suasion and anti-discrimination legislation to compulsory employment quotas. The effectiveness of the measures clearly depends on the willingness of employers to help disabled persons stay in or enter work. But there is also an important role for policy makers who must minimise the possibilities for employers to circumvent legislation or simply pay the fines imposed for non-compliance.

Imposing undue hardship on employers would be counterproductive: employers would then be even more likely to discriminate against persons with disabilities seeking work. So policy should recognise that employers need help to behave in the way that we would want them to in a decent society. Workplace and job adjustments generally require only small financial investments, but even so, employers who make an effort to employ persons with disabilities should not be penalised financially vis-à-vis others who do not make this effort.

These, then, are the main policy principles that seem most likely to make for better disability policies. But we are not so naïve to think that there are no political problems to them being adopted. To name just two:

- Ministries of Finance worry about the short-term costs of provided more and better individualised help in overcoming barriers to work;
- talk of ‘mutual obligations’ makes some people think of pointless ‘make work’ programmes, designed only to punish only the most disadvantaged groups of our societies.

Politicians are well aware that for these reasons and others there are no votes to be won in reforming disability policies. We nevertheless believe that they must be persuaded to take action. The disability policies of many countries are a dismal failure: expensive; ill-targeted; used for purposes other than helping those with health problems; and, worst of all, excluding people from playing a full role in society rather than helping them to do so.

In conclusion, disability policies must be seen primarily as activation programmes rather than passive income support programmes. Many countries are already moving in this direction but much remains to be done. As we all know, the devil is in the details, and it will be a major challenge to translate the new approach into practical policy. The OECD would like to support this process by conducting in-depth country reviews of disability policy from this perspective. We look forward to working together with you on this challenging task.