

## Chapter 5

# Employment Policy – New Challenges and Directions

*Employment rates of people with disability are far below those of persons without disability. Partly this is because severe health impairments prevent people from working. However, there are many other factors including a lack of appropriate skills, discrimination, weak incentives to look for work and accept a job offer, and ineffective re-integration measures. Anti-discrimination legislation (Australia, United Kingdom), employment quotas (Luxembourg, Spain) and other forms of employer responsibilities and supports have proven to be insufficient. Measures to improve the employability of people with reduced work capacity and to help those workers stay in and find employment are needed.*

*Spain and Luxembourg have only just started to acknowledge the need for such change. Australia and the United Kingdom have recently made big steps away from what used to be extremely passive benefit systems, and they are both setting new standards in outcome-based funding of services, individual case management and streamlined service delivery. Yet, overall investments in these areas are still lagging behind and, despite very welcome advances in the United Kingdom, there is a general lack of rigorous evaluation and cost-benefit analysis of employment programmes. To improve the situation, a range of steps have been taken recently in all countries with the aim to raise the involvement and responsibilities of the main actors: workers with disability, their employers and the public authorities supporting them.*

In all countries, employment rates of people with a disability are low. This is disappointing because work has been found to be good for people’s health and re-entering work associated with improvements in income, socio-economic status and well-being. Higher employment rates of people with reduced work capacity are also vital to boost economic growth and to lower public spending. This chapter focuses on how employment rates could be increased.

The chapter starts by describing employment and education characteristics of people with disability, and the extent to which they differ from those of people without disability. Section 5.2 considers suitable activation measures for people with reduced work capacity in relation to their needs and skill levels. It compares available support measures across countries, the possibilities to access them and their success in helping people with health problems back to work. Section 5.3 examines the new balance between rights and responsibilities for various actors the four countries are aiming to achieve: the role of public authorities, with a focus on the timing of intervention, obligations to provide special services and new funding concepts; the rights and responsibilities of people with disability themselves and of benefit recipients in particular; and the responsibilities of and support for employers, also in terms of anti-discrimination legislation and employment quotas.

### 5.1. Employment and disability: where do we stand?

In all four countries, employment rates of (self-assessed) persons with disability are substantially below those of persons without disability (Chapter 1 and Table 5.1). The gap is almost 40 percentage points in Australia, Spain and the United Kingdom, but much lower in Luxembourg. Unemployment rates are also higher for people with disability everywhere. In this case, the gap is around 4 percentage points in Australia, Luxembourg and the United Kingdom, and 8 percentage points in Spain. Spain also has the highest unemployment level, for people with and without disability.

Table 5.1 also compares employment *characteristics*. Some differences are worth highlighting, such as the higher incidence of part-time employment of workers with disability in Australia and the United Kingdom (one-third and one-quarter of all workers with disability, respectively), both compared to Luxembourg and Spain and compared to people without disability in Australia and the United Kingdom. The low share of part-time work of people with disability in Spain and Luxembourg suggests room for further improvement in employment rates of this group in line with increasing acceptance of part-time employment.<sup>1</sup>

In all countries, persons with disability do not appear to be overrepresented in temporary jobs. In Spain, however, the lack of any difference in the incidence of temporary employment between people with and without disability is partly a result of different age structures among these two groups. In fact, in each age group workers with disability are more likely to be employed on temporary contracts.

**Table 5.1. Employment characteristics of people with disability are different from those of people without disability**

Employment structures and characteristics, by age and disability status, percentages, latest available year<sup>a</sup>

	Australia				Luxembourg				Spain				United Kingdom			
	20-34	35-49	50-64	Total	20-34	35-49	50-64	Total	20-34	35-49	50-64	Total	20-34	35-49	50-64	Total
<b>Employment</b> (% of population)																
Disabled	50	49	32	<b>40</b>	58	70	32	<b>50</b>	46	46	24	<b>35</b>	49	53	39	<b>45</b>
Non-disabled	80	84	72	<b>79</b>	69	80	53	<b>70</b>	70	74	54	<b>68</b>	79	88	76	<b>81</b>
<b>Unemployment</b> (% of labour force)																
Disabled	13	7	5	<b>8</b>	9	8	6	<b>7</b>	27	15	14	<b>18</b>	11	8	5	<b>7</b>
Non-disabled	6	3	3	<b>4</b>	6	3	1	<b>4</b>	13	9	7	<b>11</b>	6	3	3	<b>4</b>
<b>Public sector employment</b>																
Disabled	14	22	16	<b>18</b>	..	..	..	..	10	25	23	<b>20</b>	21	31	28	<b>28</b>
Non-disabled	16	22	20	<b>19</b>	..	..	..	..	11	26	26	<b>19</b>	20	28	29	<b>25</b>
<b>Part-time employment<sup>b</sup></b>																
Disabled	34	28	37	<b>33</b>	8	16	11	<b>13</b>	10	9	10	<b>10</b>	27	25	30	<b>27</b>
Non-disabled	21	20	21	<b>21</b>	10	15	12	<b>13</b>	9	7	6	<b>7</b>	18	20	23	<b>20</b>
<b>Temporary employment</b>																
Disabled	10	10	8	<b>9</b>	4	2	0	<b>2</b>	48	30	19	<b>31</b>	5	4	6	<b>5</b>
Non-disabled	9	8	10	<b>9</b>	7	2	2	<b>4</b>	44	23	14	<b>31</b>	7	4	4	<b>5</b>
<b>Casual employment<sup>c</sup></b>																
Disabled	36	23	43	<b>33</b>	..	..	..	..	..	..	..	..	..	..	..	..
Non-disabled	28	19	25	<b>24</b>	..	..	..	..	..	..	..	..	..	..	..	..
<b>Self-employed<sup>d</sup></b>																
Disabled	9	19	23	<b>19</b>	4	3	9	<b>5</b>	6	19	31	<b>21</b>	9	13	18	<b>15</b>
Non-disabled	8	16	19	<b>14</b>	4	9	11	<b>8</b>	10	20	29	<b>17</b>	8	14	17	<b>13</b>
<b>Share by industry</b>																
<b>Agriculture</b>																
Disabled	2	7	7	<b>6</b>	2	2	4	<b>3</b>	7	8	14	<b>10</b>	1	1	1	<b>1</b>
Non-disabled	3	4	5	<b>4</b>	1	3	3	<b>2</b>	4	6	9	<b>6</b>	1	1	1	<b>1</b>
<b>Industry</b>																
Disabled	23	20	21	<b>21</b>	30	30	44	<b>34</b>	34	30	28	<b>30</b>	17	20	22	<b>20</b>
Non-disabled	22	23	22	<b>22</b>	17	20	20	<b>19</b>	33	29	31	<b>31</b>	21	24	23	<b>23</b>
<b>Services</b>																
Disabled	75	74	73	<b>74</b>	68	68	52	<b>63</b>	59	62	58	<b>60</b>	82	79	77	<b>78</b>
Non-disabled	76	73	72	<b>74</b>	82	78	77	<b>79</b>	62	65	59	<b>63</b>	78	75	76	<b>76</b>
<b>Hiring rate<sup>e</sup></b>																
Disabled	32	17	17	<b>22</b>	16	8	..	<b>7</b>	34	19	9	<b>18</b>	29	14	16	<b>16</b>
Non-disabled	31	17	9	<b>21</b>	17	9	6	<b>12</b>	31	14	7	<b>19</b>	27	10	28	<b>20</b>
<b>Job retention rate<sup>f</sup></b>																
Disabled	21	53	55	<b>43</b>	50	81	93	<b>77</b>	25	60	79	<b>59</b>	30	58	53	<b>54</b>
Non-disabled	24	51	68	<b>43</b>	39	72	85	<b>60</b>	26	66	82	<b>52</b>	31	70	26	<b>47</b>

a) Employment and unemployment for Luxembourg and Spain refers to 2004, employment characteristics to 2002.

b) Part-time work is defined as less than 30 hours per week.

c) Share of casual employees using the ABS definition (i.e. people without paid sick leave or holiday leave).

d) In Australia, it includes own account workers, employers and contributing family workers.

e) The hiring rate is calculated as the share of employees with tenure less than one year.

f) Job retention rate is defined as the share of employees with tenure with the same employer for five years or longer.

Source: OECD calculations based on national surveys: SDAC 2003 for Australia, except for temporary, casual employment and hiring and retention rates from HILDA 2007 (Wave 5); EULFS 2002 for Luxembourg and Spain, except for employment and unemployment rates from EU-SILC 2004, and LFS 2006 for the United Kingdom; for hiring and retention rates in Luxembourg, Spain and the United Kingdom, EULFS (2002) *ad hoc* module on disabled persons.

Similarly, people with disability are over-represented among casual workers in Australia.<sup>2</sup> One-third of all workers with disability are holding casual contracts compared to one-quarter of their peers without disability; especially large differences are found in the age group 50-64. Casual workers tend to work in lower-skilled occupations and in industries with substantial fluctuations in demand over the year, *e.g.* service sectors such as accommodation or cafes and restaurants (ABS, 2006). There is also a strong correlation in Australia between casual work and part-time work.

The high incidence of casual and temporary employment contracts in Australia and Spain is probably one reason for the higher hiring rates in these two countries. Hiring rates of people with disability are relatively lower in the United Kingdom and in particular in Luxembourg, where rates are almost half of those of people without disability. On the other hand, job retention rates of five years or more (as well as average job tenure) are higher for people with disability in all countries. Partly, this is a reflection of the lower likelihood to switch to a new job – as indicated by the lower hiring rates. However, the higher job tenure of workers with disability is also a result of a selection effect: those with shorter tenure are probably more likely to lose their job in case of health problems.

Differences by industry are only observable in Luxembourg, where workers with disability are strongly overrepresented in the industry sector, and in Spain, where they are overrepresented in the agricultural sector. Moreover, contrary to earlier findings (OECD, 2006b), in these four countries workers with disability seem to be equally represented in the public and the private sector.

In conclusion, therefore, differences between workers with and without disability are much larger in terms of employment and unemployment rates than in terms of employment distributions and characteristics. Even among workers with insecure contracts (temporary workers in Spain and casual workers in Australia), workers with disability are only somewhat overrepresented. This makes tackling low rates of employment and high rates of unemployment even more important.

Poor overall labour market outcomes of people with disability are partly a result of their lower average skill levels. In all four countries, educational attainment is, on average, substantially lower among persons with disability, both in employment and if unemployed (Table 5.2). The share of persons with disability with a tertiary education level, for instance, is only one-half or one-third that of people with no disability, and the share having primary education is correspondingly much higher. Most worryingly, the education gap between people with and without disability is not closing for the younger age groups, but instead widening in all four countries.

Overall, education levels of people with disability compare best to those of *inactive* people without disability, the group with the lowest level of qualifications among all people without disability. In Spain and the United Kingdom, people with disability have even lower qualification levels than inactives without disability. Only in Luxembourg, unemployed people without disability have lower levels of qualification than inactives, with the educational distribution among people with disability being even worse. Employed people with disability are much better qualified though still lagging far behind employees without disability.

Research in the United Kingdom has demonstrated that, at the age of 16, educational aspirations of those with and without disability are very similar. Ten years later, at age 26, almost 70% of those without disability had reached their higher education goal, while the

**Table 5.2. Qualification levels of people with disability are lagging far behind everywhere**  
Distribution (in percentage) of all people in each category by age, most recent years available<sup>a</sup>

	Panel A. People with disability															
	Employed				Unemployed				Inactive				Total			
	20-34	35-49	50-64	Total	20-34	35-49	50-64	Total	20-34	35-49	50-64	Total	20-34	35-49	50-64	Total
<b>Australia</b>																
Less than upper secondary education	26	34	37	34	..	..	..	49	52	64	60	60	40	49	52	49
Upper secondary education	50	31	34	36	..	..	..	29	38	22	25	26	43	27	28	30
Tertiary	24	34	29	30	..	..	..	22	10	14	15	14	17	24	20	21
	100	100	100	100	..	..	..	100	100	100	100	100	100	100	100	100
<b>Luxembourg</b>																
Less than upper secondary education	40	43	46	43	100	64	53	69	56	57	70	66	44	48	62	55
Upper secondary education	46	43	41	43	0	36	47	31	44	40	28	31	45	42	32	37
Tertiary	14	14	13	14	0	0	0	0	0	3	3	3	11	10	6	8
	100	100	100	100	..	..	..	100	100	100	100	100	100	100	100	100
<b>Spain</b>																
Less than upper secondary education	57	63	82	69	68	77	87	77	76	82	90	86	68	75	89	81
Upper secondary education	22	17	8	15	16	13	10	13	15	11	5	8	18	14	6	10
Tertiary	22	20	10	16	16	9	4	10	10	7	5	6	15	12	6	9
	100	100	100	100	..	..	..	100	100	100	100	100	100	100	100	100
<b>United Kingdom</b>																
Less than upper secondary education	39	59	71	61	65	72	71	70	66	79	88	82	53	68	81	72
Upper secondary education	32	25	15	22	23	18	17	19	18	14	7	10	26	20	10	16
Tertiary	29	17	13	17	12	10	12	11	15	7	5	7	22	12	9	12
	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
	Panel B. People without disability															
	Employed				Unemployed				Inactive				Total			
	20-34	35-49	50-64	Total	20-34	35-49	50-64	Total	20-34	35-49	50-64	Total	20-34	35-49	50-64	Total
<b>Australia</b>																
Less than upper secondary education	17	27	34	24	..	..	..	41	31	47	55	44	21	30	40	28
Upper secondary education	46	35	31	39	..	..	..	35	44	28	24	32	46	34	29	37
Tertiary	36	38	35	37	..	..	..	23	25	25	21	23	34	36	31	34
	100	100	100	100	..	..	..	100	100	100	100	100	100	100	100	100
<b>Luxembourg</b>																
Less than upper secondary education	29	33	32	31	53	60	62	56	31	45	52	44	30	36	42	35
Upper secondary education	50	44	40	46	27	31	23	29	54	46	39	45	50	44	40	46
Tertiary	21	23	28	23	20	9	15	15	15	8	9	11	19	20	18	19
	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
<b>Spain</b>																
Less than upper secondary education	41	50	68	50	43	65	84	55	30	73	86	62	39	55	76	53
Upper secondary education	24	21	11	20	24	19	10	21	46	16	8	24	29	20	10	21
Tertiary	36	30	21	30	33	16	6	24	24	11	6	14	33	25	14	26
	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
<b>United Kingdom</b>																
Less than upper secondary education	34	53	62	49	47	63	72	56	40	58	77	59	36	54	65	51
Upper secondary education	27	24	18	23	22	20	16	21	18	23	12	17	25	24	16	22
Tertiary	39	23	21	28	31	17	12	23	42	19	11	24	39	22	18	27
	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

a) In Australia, persons with disability are defined as those who have at least a mild restriction of their core activities. In the other countries, it is defined as persons with long-lasting health problems that limit their daily life activities.

Source: For Australia, ABS, Disability, Ageing and Carers Survey 2003; for Luxembourg and Spain, EULFS 2002 Special module on Disabled people; and for the United Kingdom, Labour Force Survey 2006.

corresponding share was only 56% for people with disability (Burchardt, 2005). In Australia, around one-fifth of all people with a disability attended school only for eight years or less, compared to one in twenty among people with no disability (Lattimore, 2007). These findings point to a lack of support for people with disability to access (higher) education. A lower education level, in particular among those people with disability, adds to the difficulty in staying in or finding work – a situation that, relatively speaking, has worsened in the past decade and may exacerbate further in the future, because of continuous technical progress and a falling demand for low-skilled jobs (FaCS, 2003).<sup>3</sup>

## 5.2. More and better targeted employment services

Recognising the difficulties people with health problems have in staying in, or returning to, the labour market, countries have put in place a number of employment support and rehabilitation programmes. The success of these, however, is modest, and in particular these measures have not been very successful in helping people on disability benefits back to the labour market. Today, with the exception of Spain, the number of people on disability benefits is two to three times larger than the number of people on unemployment benefits. And in all countries, the number of jobseekers with impaired health is growing. Significant efforts will be needed to achieve a real change in outcomes, including better tailoring to people's needs and skills and recognising their disadvantages in terms of qualification levels. This section first outlines the necessary elements of adequate support programmes before moving on to describe available measures and the resulting employment outcomes. It concludes with a discussion on the restricted access to employment support.

### A. What support is suitable for people with disability

Proper activation measures require well-targeted assistance including individual vocational rehabilitation, training, and employment support. To achieve sustainable employment outcomes, both programmes and individuals have to meet the demands from employers, and measures need to be better tailored to help meet these labour market demands (Work Directions, 2006).

What has also proven important is a close contact between the jobseeker with a disability and the employment adviser. Preferably, the same adviser should work with the jobseeker throughout their contact. Outcomes also improve when advisers use a more proactive approach in their contacts with clients, also after a job has been found (Lewis *et al.*, 2005). In this respect, individual action plans are a good way of setting up goals and targets that can be followed up and modified if and when needed.

In general, programmes closely linked to the labour market, *e.g.* apprenticeship, wage subsidies or in-work benefits, tend to be more successful than general training measures. Martin and Grubb (2001) concluded that the most important factors for employment measures to be successful are the following four: i) the need for tight targeting on participants; ii) the need to keep the programmes relatively small in scale; iii) the need for programmes to result in a qualification or certificate that is recognised and valued by the market; and iv) the need to have a strong on-the-job component and to establish strong links with local employers.

Although these conclusions refer to activation measures for the “ordinary” unemployed, there is no reason why they would be less valid for jobseekers with impaired health or for

measures to help people on long-term sickness benefits to remain in the labour market. This is supported in OECD (2006d) which emphasises the scope to apply activation strategies to persons receiving income support other than unemployment benefits if appropriate modifications are made to account for the specific characteristics of each group of people.

## **B. What support is available for people with disability**

### *The use of individualised support*

The regional Public Employment Service (PES) in Spain has no special advisers for jobseekers with disability (but special hiring subsidies are available for jobseekers with a legal disability certificate). In Luxembourg, the central PES office has a small unit of caseworkers that deals with people with disability and each caseworker assists around 400 persons with disability per year. In both countries, caseloads for PES officers are high and they act on the principle of first-come first-served.

In the United Kingdom, all new disability benefit claimants have to attend an initial work-focused interview with an Incapacity Benefit Personal Adviser (IBPA) at their local Jobcentre Plus. Most claimants will continue with another five interviews with the same adviser at (roughly) monthly intervals. These advisers are work facilitators who discuss ways to identify and deal with personal work barriers and support the claimant through the whole phase to overcome these barriers. Because of their very low caseloads of around 35 clients, they are well aware of their clients' needs and problems. A personal action plan is agreed between the client and the adviser that specifies the activities that will be undertaken. This plan is reviewed at each meeting.

In case of more severe health conditions, IBPAs can refer their clients to a Disability Employment Adviser or a Work Psychologist. Nevertheless, with the growing number of claimants with complex health problems, many IBPAs report a stressful work environment and lacking support and knowledge, especially in dealing with mental illness (Knight *et al.*, 2005). The House of Commons (2006) concluded that IBPAs would benefit from improved training and sharing of best practice.

Also in Australia, activation measures are increasingly tailored to individual needs based on the level of disadvantage in the labour market. Unlike the United Kingdom, however, personal guidance only starts once a service provider has been identified and selected, with the type of service most adequate for the person being determined through the Job Capacity Assessment. Average caseloads for service providers for people with disability are very low in an international perspective in both Australia and the United Kingdom. Work Directions, for instance, a larger private provider operating in both countries, reports caseloads around and sometimes below 50 clients. Such low caseloads allow for a service tailored very closely to the needs and abilities of the client (Box 5.1).

### *Assistance for people with disability differs*

Employment measures for people with health problems differ considerably between the four countries. In Luxembourg and Spain, except for hiring subsidies activation programmes are still in their infancy, while they are more widespread in Australia and the United Kingdom. The latter two countries have recently made several important changes to their services. Delivery of programmes in Australia and the United Kingdom also differs substantially from most other OECD countries because increasing parts of the employment activation service are being privatised (see below).

### Box 5.1. Personalised employment service of Work Directions United Kingdom

Work Directions is a private employment service, or Job Broker in UK terms. Originally founded in Australia, it started its operation in the United Kingdom in 2001, with the introduction of the NDDP. Since 2004, Work Directions has been delivering the United Kingdom's largest single NDDP contract (in Birmingham). In 2007, Work Directions won a significant proportion of the contracts in the first phase of outsourcing of the *Pathways to Work* programme (in London, Nottinghamshire, Birmingham and Edinburgh). In this context, they will work with over 80 000 clients over the next three years.

Their NDDP office in Birmingham serves a potential clientele of around 60 000 people on health-related benefits (most of them on Incapacity Benefit). However, as NDDP is an entirely voluntary scheme, reaching clients is one of the biggest challenges. 45% of their clients are referred by the public authorities, 15% by charity organisations, doctors, etc., 30% are reached through active outreach and 5% are walk-in clients. 80% of all their participants have been out of work for at least one year, and many for much longer.

They have 19 employment advisers with different backgrounds, one psychologist and a physiotherapist. Employment advisers are quite free to use whatever approach they want, and by and large they do not match jobseekers with vacancies but rather focus on developing personal skills and the interest for work, i.e. on breaking patterns of complete inactivity. The current caseload is 35 clients (to be increased to 40-45), and the target for each caseworker is one placement per week, i.e. 4.3 placements per month. Current average placement is 3.8 per month, which is similar to the performance of caseworkers dealing with jobseekers without disability.

As all NDDP providers, Work Directions is funded on the basis of outcomes: they receive GBP 300 upon registration of a client and GBP 4 100 for a full-time job after 13 weeks. Their recent statistics show that 4 400 people showed interest to participate, while only some 3 000 registered with them. Of these, 1 300 found a job (83% of them remained on the job for at least 13 weeks), 600 continued to search for a job and 1 100 left the programme. The average time length to place a person is ten weeks. The success rate does not correlate with the duration of inactivity.

In the United Kingdom, soon everyone making a new claim for a disability benefit will automatically be part of *Pathways to Work*.<sup>4</sup> The aim of *Pathways to Work* is to improve the work focus of disability benefit claimants by providing: i) a better framework for support in the early stages of a claim (e.g. through IBPAs); ii) direct access to a wide range of provision (e.g. the New Deal for Disabled people and the Condition Management Programme); iii) improved financial incentives through the Return to Work Credit; and iv) better support for people with health problems who move from disability benefits to unemployment benefits.

In mid-2006, when the Australian government launched its *Welfare to Work* approach, activity-test requirements became mandatory for an increasing share of people with health problems (Chapter 3). People who no longer qualify for a disability benefit have to actively seek work compatible with their capacity and participate in certain activities as a condition of unemployment benefit receipt. There are four broad activation routes for these people: the Job Network (JN), the Disability Employment Network (DEN), Vocational Rehabilitation (VR), and the Personal Support Programme (PSP). People with moderate to profound disability who qualify for a disability benefit or another income support payment can also access Disability Business Services. Some of the more important measures in Australia and the United Kingdom are described in Box 5.2.



### Box 5.2. Specialised employment measures in Australia and the United Kingdom

#### Measures in Australia

*Job Network (JN)* aims to help jobseekers into sustainable employment through personalised employment assistance involving job-search and employment-focused activities. Services are tailored to the person, based on individual needs, level of disadvantage in the labour market and duration of unemployment. JN is primarily aimed at providing assistance to jobseekers who are job-ready. If needed, JN providers can access the Job Seeker Account, a quarantined pool of funds that is used to purchase employment-related assistance such as employment-related training, work clothes and equipment required to accept a job offer, wage subsidies and interpreter services. JN is not targeted at jobseekers with disability but several JN providers are specialist in this field.

*Vocational Rehabilitation (VR)* provides specialist rehabilitation from health professionals with employment assistance to help participants find or keep a job. The focus of VR is on assisting people in understanding and managing their limitations imposed by their disability. The programme has a stronger focus on capacity building in the beginning and job search and placement typically come at the end. The programme is primarily delivered by health professionals. To be eligible, a client must be assessed as being able to work independently in the workplace after less than six months support.

*Disability Employment Network (DEN)* typically aims to find jobs for clients as quickly as possible, in accordance with their capacities and barriers. Assistance includes capacity building, training, counselling and improving motivation as well as job matching, employer support and on-the-job support for the worker and their co-workers. DEN providers can purchase vocational training and employment-related assistance for the client. To be eligible for uncapped services, a client must be assessed as likely to need more than six months but less than 24 months support after placement in a job. In the capped stream, resources permitting assistance can be provided for as long as it is required by the client.

The *Personal Support Programme (PSP)* provides up to two years assistance to people who are facing multiple non-vocational barriers (such as homelessness, mental health issues, drug problems, or social isolation) that prevent them from finding and keeping a job or benefiting from programmes delivered through JN or DEN. PSP can provide a range of services, including individual counselling, group work and specialist assistance. Outcomes may include employment, transfer to an employment assistance programme, or study. Like JN, PSP is not targeted at jobseekers with disability but many of the users do have health problems also.

*Disability Business Services* are commercial enterprises that provide supported/sheltered employment assistance to people with disability who are unlikely to be able to work in the open labour market at or above the federal minimum wage and who need ongoing support for a substantial period to obtain or retain paid employment. (However, transfers between this service and all other services are possible in both directions). Tasks in such a business involve packaging, assembly, production, recycling, garden maintenance and landscaping, screen printing, cleaning services, laundry services and food services. Workers receive the same working conditions as those in the general workforce, including pro rata wages linked to their productivity.

### Box 5.2. Specialised employment measures in Australia and the United Kingdom (cont.)

#### Measures in the United Kingdom

*New Deal for Disabled People* (NDDP) was introduced as a pilot in 1998, and as a national programme in 2001. It was the first programme to target people with disability. The programme is voluntary and delivered through a network of private, public and voluntary-sector Job Brokers who have been chosen by Jobcentre Plus. The target group for NDDP is people on a qualifying benefit who are relatively close to the labour market but needing e.g. job-search advice, matching skills to jobs, confidence building, help with completing application forms, and interview preparation.

*Condition Management Programme* (CMP) is a medical rehabilitation scheme with a strong work focus and only available under Pathways to Work. The primary goal is to help people back to work by enabling them to deal with or overcome their health problems. The programme starts by a medical assessment that focuses on the impact of the person's health problems and personal situation. A team of health specialists is then setting up an action plan that is discussed with the client. CMP fills the gap between medical treatment in the health sector and work-readiness. The average programme duration is 14 weeks. Participants have often lost their labour market attachment and are not ready to be referred to a Job Broker.

*Work Preparation* is a programme to help identify the most suitable type of work by providing work experience and by developing new or existing skills through courses and training. This scheme is targeting people that either wish to return to work or are at risk of losing their job due to a disability. Participants join this programme by referral from a Disability Employment Adviser.

*Access to Work* provides practical advice and support to help people with disability enter or stay in paid employment. It is aiming at overcoming work-related barriers through a system of grants to buy special equipment, and it also covers additional travel costs. It can also cover contributions to adaptations of premises, and the provision of support workers.

*Workstep* provides tailored support to find or secure jobs for those who have more complex barriers (often more severe disabilities). It provides financial support and can reimburse the full wage of persons while taking up employment with the view to obtain a non-subsidised job.

*Remploy* is similar to Workstep, with the difference being that people on the Remploy scheme work directly for Remploy Ltd (normally in a factory). Participants usually join this scheme by referral from a Disability Employment Adviser. Remploy have recently announced plans to modernise their provision, with a reduction in the number of factories.

In Spain, the employment service is mainstreamed and measures for jobseekers with a disability cannot be separated from services offered to regular jobseekers. After the decentralisation of labour market services in 2002, activation measures now differ considerably between regions and monitoring of outcomes has become more complex. Programme development is based on agreements with the social partners and lately also with some disability organisations. Participation in these programmes is low in general, and even more so for people with disability.

In Luxembourg, as in Spain, the use of specialised and tailored activation measures for people with disability is rare. Persons with a health condition who are classified as

externally re-deployable are treated as ordinary jobseekers but with access to a wider range of training options. In addition, there is a semi-vocational rehabilitation programme. Although the majority of all rehabilitation cases are medical, there is a strong link to labour market returns (similar to the Condition Management Programme in the United Kingdom). People usually come to the (only) rehabilitation centre through referral from a doctor, an occupational therapist or a hospital. However, the PES has recently started to send people to the centre for orientation; there is also a plan to have a regular co-operation with the rehabilitation centre.

### ***Sheltered work***

Countries also use sheltered employment, which is targeted at people with severe disability. Often sheltered work is oriented towards a therapeutic function instead of work tasks. It also relies heavily on public subsidies.<sup>5</sup> The United Kingdom uses this more traditional approach to an extent: while the preferred approach now is for supported employment in open workplaces, there remain a number of sheltered workplaces, including the factories operated by Remploy, although these are being reduced. Spain also has a number of traditional sheltered workplaces, but has recently introduced a new measure to help people with disability to move from sheltered employment into jobs in the open labour market. Sheltered workplaces can outsource certain activities to ordinary companies for up to three years (so-called enclave contracts). During this period, the person with a disability continues to be employed by the sheltered workplace.

Australia uses a more market-oriented approach of sheltered/supported work. In 2005-06, 21 250 Australians (around 3% of all disability benefit recipients) were employed in Disability Business Services. Wages paid are productivity based with an average salary of AUD 3 per hour (which is 25% of the minimum wage). Of all those workers, 97% receive a disability benefit. Employers receive funding for each worker with a disability based on an assessment using the Disability Maintenance Instrument. The funding depends on the support needs of the individual and does not exceed AUD 12 000 per year (almost half of all workers generate the highest subsidy). The funding covers the costs of support (e.g. training, costs of a support worker, etc.), but not the wage costs since workers are paid according to their productivity, which is adjusted every second year. The annual turnover of workers is around 3 000, of which around 450 transfer to the open labour market. However, Disability Business Services do not place people with disability in open labour market positions.

### **C. Participation in activation measures**

Information on participation in employment or activation measures is only available for Australia and the United Kingdom (Table 5.3). Overall, even though different indicators are being used, there appears to be less age-targeting in employment service delivery in the United Kingdom compared to Australia.<sup>6</sup> Every second programme participant in Australia is younger than 40, and even six out of ten of the clients in the Disability Employment Network. In the United Kingdom, Workstep is the programme which is most strongly targeting young workers (in this case jobseekers younger than 25).

### ***Spending on employment support for people with disability is low***

Data on overall public spending on Active Labour Market Programmes (ALMP) show that none of the four countries belong to those OECD countries with a strong emphasis on

Table 5.3. **Participation in employment measures in Australia and the United Kingdom**Age distribution by type of programme, percentage, 2005<sup>a</sup>

	20-39	40-49	50-64	Total
<b>Australia<sup>b</sup></b>				
Programme participants	76 225	40 423	33 772	150 420
Disability Employment Service	61.5	23.0	15.5	100.0
Personal Support Programme	43.7	28.3	28.0	100.0
Vocational Rehabilitation	43.0	30.9	26.1	100.0
All programmes	50.7	26.9	22.5	100.0
<i>For comparison: current DSP recipients</i>	<i>22.2</i>	<i>22.1</i>	<i>55.7</i>	<i>100.0</i>
	18-24	25-49	50+	Total
<b>United Kingdom<sup>c</sup></b>				
Programme commencements	20 750	90 240	40 560	151 550
Pathways to Work	10.4	63.4	26.2	100.0
NDDP	15.2	56.9	27.9	100.0
Workstep	27.3	56.4	16.4	100.0
All programmes	13.7	59.5	26.8	100.0
<i>For comparison: inflows into incapacity benefit</i>	<i>13.6</i>	<i>54.1</i>	<i>32.3</i>	<i>100.0</i>

a) Data refer to current programme participants in Australia and programme commencements in the United Kingdom. Therefore, different items for comparison are used.

b) Data are not available for Job Network providers (because distinction with and without disability is not possible). The age groups for the Personal Support Programme (PSP) are 20-34, 35-44 and 45-64.

c) The lower age limit for disability inflow data is 20 and not 18 and the upper limit is 64.

Source: DEWR for Australia and DWP for the United Kingdom.

rehabilitation and employment measures. In 2005, Australia, Luxembourg and the United Kingdom had similar unemployment rates of around 5%. Expenditures on activation measures for the unemployed and for workers with disability amounted to 0.5% of GDP in the United Kingdom, 0.4% in Australia and 0.3% in Luxembourg. In Spain, the unemployment rate was almost twice as high as in the other three countries, while spending amounted to 0.7% of GDP (OECD, 2006d).<sup>7</sup>

Spending on employment measures for people with disability as a share of GDP in Australia, Luxembourg and the United Kingdom is only around one-tenth of total ALPM spending.<sup>8</sup> This is substantially lower than in, for example, Norway and Switzerland (Figure 5.1). Interestingly, in the United Kingdom total expenditures are less than half of those in Australia, despite similar rates of inflow into disability benefits. Activation of people with disability is predominantly focused on regular labour market interventions. A smaller share of total spending in both Australia and the United Kingdom is used for sheltered employment measures.

Annual spending on employment measures per person corrected for differences in purchasing power in Australia and the United Kingdom come at similar costs (Table 5.4). The exceptions are the two programmes Remploy and Workstep in the United Kingdom, which are heavily based on wage subsidies. The low per capita spending on PSP in Australia, on the other hand, can be explained by the focus on individual counselling and group therapy with a very limited use of training and other more costly activities. The relatively lower costs for NDDP compared to Job Network is partly explained by the fact that people are probably more job-ready when they voluntarily participate in NDDP, which is why they only need less costly support.<sup>9</sup>

Figure 5.1. **Spending on activation measures for people with disability is low in all countries**

Annual expenditures in percentage of GDP, 2005



- a) *Regular employment* includes in Australia: Job Network, Disability Employment Service (open) and Personal Support Programme; in Luxembourg: measures of professional (re)integration of workers with disability, adaptation of the workplace for workers with disability, reimbursement of supplementary leave for workers with disability and the creation of positions for them; in the United Kingdom: Access to Work, Interwork, New Deal for Disabled People, Workprep, and Workstep.
- b) *Rehabilitation and training* includes in Australia: vocational rehabilitation; in Luxembourg this does not exist; in the United Kingdom this is integrated in the regular employment measures; in Norway, spending on vocational rehabilitation cannot be separated from spending on vocation rehabilitation benefits and are therefore not shown in the figure.
- c) *Sheltered employment* includes in Australia: Disability Employment Service (supported); in Luxembourg: no data is available; in the United Kingdom: Remploy.
- d) Spending data for the Job Network in Australia have been estimated as 7.5% of total Job Network expenditure.

Source: DEWR for Australia; INSS for Luxembourg; DWP for the United Kingdom; and OECD (2006b), *Sickness, Disability and Work: Breaking the Barriers, Norway, Poland and Switzerland*, Paris, for the remaining countries.

Table 5.4. **Per capita spending on activation measures is similar in Australia and the United Kingdom**

Annual expenditures per participant, in USD PPP, 2005

Australia <sup>a</sup>	Spending	United Kingdom <sup>b</sup>	Spending
Disability Employment Service (supported)	8 412	Remploy	28 296
Disability Employment Service (open)	4 993	Workstep	17 983
Vocational rehabilitation	4 395	Access to Work	4 705
Job Network	2 670	Workprep	1 165
Personal Support Programme	1 365	NDDP	1 054

a) Expenditure for Job Network could be underestimated. Calculations are based on total per capita Job Network spending and not per capita spending for jobseekers with health condition.

b) Participants in Workstep refer to inflows rather than stocks, which may overestimate expenditures.

Source: DEWR for Australia and DWP for the United Kingdom.

#### D. Access to employment activation services

A problem in all four countries is that, due to either particular regulations or resource constraints, many people do not get a chance to participate in an employment activation measure. This is to a varying degree also true for certain groups of jobseekers, or potential jobseekers, in Australia and the United Kingdom, despite these countries' recent efforts to change the employment policy approach.

### ***How are activation measures assigned?***

Participation in activation measures in Luxembourg and Spain is usually decided between the employment adviser at the PES and the client. In Spain, however, there are also other ways to access services. The 17 autonomous communities and the 57 provinces have a network of (currently 244) Evaluation and Orientation Teams. One of the roles of these teams is to evaluate a person's capacity and professional orientation. These teams are multi-professional and can include, for example, rehabilitation doctors, psychologists, vocational experts and social workers. They co-operate with the PES offices of the autonomous communities in determining support needs, and they make sure to exploit the person's own capacities and resources as well as the social resources available in the person's milieu. Notably, this service can be accessed by every citizen, irrespective of the labour force status (e.g. registered as unemployed, or not).

In the United Kingdom, the Incapacity Benefit Personal Adviser (IBPA) proposes support through a range of programmes within Jobcentre Plus as described above. When clients meet with the IBPA, the adviser identifies those who need substantial help and who should go through the *Pathways to Work* interview process (70-80% of all people with health problems fall in this category). The remaining "lighter" cases are referred to a Job Broker directly to get help in finding a job. The specialised Disability Employment Advisers (DEA) can access additional programmes (such as Work Preparation and Workstep). They conduct employment assessments to identify the type of work or support that would be most suitable for the person. Hence, the IBPA and the DEA are gatekeepers to most activation programmes unless the person is referred to a Job Broker directly.

The support needs of a jobseeker in Australia are identified at Centrelink by using the Job Seekers Classification Instrument (JSCI). The JSCI is performed when a client first registers for employment assistance. It recognises the labour market disadvantage of a jobseeker based on responses to a questionnaire and identifies persons who, because of their personal circumstances, are likely to become long-term unemployed. The instrument also provides eligible people with early access to more intensive employment supports through the Job Network. For disadvantaged jobseekers (e.g. people with disability), the JSCI may trigger the need for a Job Capacity Assessment (JCA), which, in addition to assessing the capability to work, determines the most appropriate service for the person. The specific activities within the respective service, however, are decided by the provider.

### ***Employment service, but not for all***

In the United Kingdom, *Pathways to Work* is primarily aiming at new incapacity benefit recipients, but it is also available to existing disability beneficiaries – mainly on a voluntary basis. To encourage existing recipients to consider leaving benefit rolls and take up work, a pilot was launched in early 2005 that extended the work-focused interviews (under the *Pathways* process) to people who claim incapacity benefits for less than two years – on a mandatory basis. A further extension of this pilot took place in 2006 for recipients in certain areas who had claimed disability benefits between two and six years (Blyth, 2006).<sup>10</sup>

In Luxembourg and Spain, jobseekers with health problems – whether receiving income support or not – can always register with the PES and thereby, in theory, receive available employment services. The biggest problem in these countries is that service supply is quite limited.

Australia is different from the other countries because most services are divided between a *capped* and an *uncapped* stream. The uncapped or demand-driven stream is available for jobseekers with an assessed capacity to work of 15-29 hours per week. Capped services operate with a fixed supply and therefore tend to have long waiting lists; these services are offered to those with a capacity to work of less than 15 hours or more than 30 hours (i.e. where they have a current capacity to work of less than 30 hours per week but will be able to work more than 30 hours per week within two years with assistance). People on disability benefits who want to participate in an activation measure to increase their chances of finding a job will also be directed to capped services, unless the JCA identifies a remaining work capacity of more than 15 hours per week, or 30 hours per week for the grandfathered group (Australian Government, 2005); in this case they would lose their disability benefit and be transferred to the unemployment benefit scheme – and such become eligible for uncapped employment services.

Demand for service in the capped stream is in most regions higher than the actual supply. ACOSS (2005) concluded that a key reason for low employment rates of disability benefit recipients is the limited amount of help and support they receive. This is particularly critical for unemployed people with (permanent) disability not on income support who are only eligible for capped places in disability employment and vocational rehabilitation services, and for basic employment assistance through the Job Network. For the Personal Support Programme (PSP) in particular waiting times are very long. This creates an additional problem for those people who would benefit from a period in PSP prior to entering the Disability Employment Network or Vocational Rehabilitation services, but who have no access to PSP within a reasonable time period.

Available evidence suggests that less restrictive access to employment services might help to raise employment participation of people with disability currently outside the labour force (even though no information is available about cost-efficiency of such an approach). As Box 5.3 describes, Australia's Job Network Disability Support Pension Pilot demonstrated that job placements of current benefit recipients – even long-term recipients – can have positive outcomes (DEWR, 2005). More generally, therefore, employment assistance should be open to all groups of jobseekers, including those who do not qualify for benefits and who are not subject to any participation requirements (OECD, 2006d).

### Box 5.3. Australia's Job Network Disability Support Pension Pilot

Between December 2003 and June 2004, the Australian government conducted a pilot to explore possibilities for existing disability benefit recipients to obtain employment with available Job Network (JN) employment services. 788 recipients joined the pilot on a voluntarily basis. Of these, 679 started intensive support customised assistance (a more intensive support available at JN).

By June 2005, 45% had been placed in employment and 3% in training. Of the remainder, 24% were still receiving employment support at JN; 5% had been referred onto more specialised employment services; and 23% had exited Job Network services. Among participants with psychiatric or psychological conditions, 42% had obtained a job. However, the probability of either gaining or sustaining employment was lower than the average for this group.

Of those people who obtained a job, 80% had been receiving disability benefits for more than two years and over half of this group had been recipients for more than five years.

### 5.3. A new balance of rights and responsibilities

In spite of a range of supports, employment rates of people with disability are low and have even decreased relative to the population without disability in Australia and Luxembourg. Why is this so? Part of the explanation is changes in labour market requirements that may have made it more difficult for workers with health problems to stay in, or to find, work (Chapter 1). This is especially true for the increasing number of people with mental health conditions.

Another reason for the low employment rates of people with partially-reduced work capacity are inadequate policies. Assessment procedures and benefit systems often pull workers with disability into long-term benefit dependency. Countries are increasingly aware of this problem. Australia and Luxembourg have chosen to suppress access to disability benefits for people with partially-reduced work capacity, while Australia and the United Kingdom, in particular, are rethinking employment and rehabilitation policies.

This section describes the latest developments on the employment and rehabilitation policy side. To a large extent recent changes are driven by increased expectations on three main actors: public authorities, workers with disability and employers. The expectations relate to: i) the type and quality of support public authorities should be providing; ii) the form of participation and job-search efforts one can expect from workers with disability in exchange for more and better employment support; and iii) the extent of involvement of employers in the process.

#### **A. New directions for the state to help people with health problems back to work**

Since recently, the governments of Australia and the United Kingdom are taking a more active role in supporting people with partial work capacity back into work. In Australia, this is being done mainly by investing more resources in activation and rehabilitation of those no longer eligible for disability benefits (i.e. jobseekers able to work 15-29 hours per week), while the United Kingdom has in addition introduced new voluntary activities for current recipients along with in-work benefits to enhance incentives to move into employment. Luxembourg and Spain have to a lesser extent reoriented their expenditures towards active support for people with partial work capacity. However, Luxembourg is using in-work compensation payments to people with partial work capacity moving into lower-paid jobs.

#### **Timing of identification and intervention is crucial**

In Australia and the United Kingdom, employment services are often not available before a person claims or receives income support. In both countries, services are predominantly (and sometimes exclusively) focused on people on (qualifying) benefits. And in both countries, little is offered during the employer-paid sickness period (which is six months in the United Kingdom, but often quite short in Australia). Early identification and support to both the employee and the employer are necessary to preserve labour market attachment (Bambra *et al.*, 2005). Work motivation decreases rapidly: evidence from the United Kingdom suggests that longer-term benefit recipients have much lower expectations to return to work in the future than shorter-term recipients (Pires *et al.*, 2006).

Early identification of health problems is practiced in both Luxembourg and Spain through close monitoring of the sickness phase. In both countries, people have a possibility to return to their former employer: in Luxembourg through the (internal) redeployment



process and in Spain because of a legal right to do so within a two-year period following the onset of a health problem. What these two countries lack, however, are better supports for these people to keep their jobs when they return and the supply of adequate employment services for those who cannot go back to their job.

The forthcoming reform of the disability benefit scheme in Switzerland is a good example of how to introduce early identification and activation. The key focus of this reform is to get in contact as early as possible with people at risk of moving onto disability benefits. To facilitate this, a process involving three actions has been developed, all of them under the responsibility of the cantonal disability insurance office: i) early identification of health problems, ideally after a period of four weeks, to prevent long-term work incapacity; ii) early and short-duration intervention, if needed, to avoid job loss (*i.e.* relatively cheap but effective intervention that does not require a comprehensive assessment process, for instance adaptation of the workplace); and iii) provision of new types of integration measures predominantly aimed at preparing people for subsequent vocational rehabilitation and reintegration, targeted to persons who had been at least 50% work-incapacitated for a period of at least six months (OECD, 2006b).

### ***A better focus on existing benefit recipients is needed***

Early intervention is important for new potential beneficiaries. With high disability benefit recipiency levels, however, it is also necessary to increase the outflow from these long-lasting benefits into jobs. Reform processes in Australia and Luxembourg are mainly focusing on curbing high inflow rates onto disability benefits. Similarly, little is done about existing benefit recipients in Spain. Only the United Kingdom has started to take some steps towards this group; so far mainly on a voluntary basis, but mandatory involvement of existing customers is also tested in some Pathways areas.

The low ambitions of policy makers to assist existing recipients in leaving benefit rolls are contributing to the very low outflow from disability benefits. Not only are there hardly any policy initiatives towards this group of people, but there are several barriers for those who want to work. These include the award of more or less permanent life-time benefits; no (or few) obligations to participate in employment measures; low financial incentives to take up work; and a high risk of losing eligibility for the benefit if work is tried.

Among the four countries, there are three very different approaches on how to deal with existing beneficiaries in terms of helping them back to work. Reforms in Australia have so far avoided to address current recipients (commonly known as grandfathering). In the United Kingdom, existing recipients are increasingly targeted by policy through stricter participation requirements and better financial incentives for those taking up work. The new benefit reform will go further in this respect and differentiate benefit levels between those who participate in activation and those who do not (Chapters 2 and 4). A neutral approach is used by Luxembourg and Spain: These countries have few policies targeted to existing beneficiaries, but they are generally not excluded from participating either.

In Australia, the fear of losing the benefit and associated concessions was shown to be a major disincentive for beneficiaries to take up work (DEWR, 2005). The Australian Human Rights and Equal Opportunity Commission found that barriers were also arising from worries about the impact on benefits and the lack of accessible and comprehensive services (Human Rights and Equal Opportunity Commission, 2006). In the United Kingdom, barriers to and bridges into work were surveyed among participants in the NDDP programme.

66% responded that the single most important factor to consider taking up work was to have the possibility to return to their former benefit if needed. Being able to decide on the number of hours worked, mentioned by 60%, came second (Stafford *et al.*, 2006).

The fear of benefit-eligibility loss could be overcome by giving recipients the possibility to return to their former benefit within a period of several years – a possibility that exists in several countries including Australia (two years) and the United Kingdom (up to two years). In the United Kingdom, however, linking rules have a more limited logic: benefit eligibility would always be reassessed and benefit entitlement only upheld for people passing the Personal Capability Assessment test. The low outflow from benefits of longer-term recipients in both countries suggests that these regulations are not very effective and, possibly, too restrictive. Time limits may be too short, a problem which could perhaps be solved by relating the time limit to the number of years already on disability benefit (*i.e.* the longer the reciprocity period, the longer the time limit for benefit suspension).

Financial incentives for beneficiaries to take up work should include in-work benefits and better possibilities to combine benefits with income from work (Chapter 4). In addition, eligibility for employment activation measures should be broadened to include those who want and can work but are currently on disability benefits. Along these lines, reassessing of younger and prime-age beneficiaries, who tend to have a much higher work motivation, should be considered.

### ***Improving the quality of employment service***

More and better evaluations are needed in all countries. Luxembourg and Spain lack any rigorous evaluations of their employment service as a whole. Australia's employment programmes are only evaluated occasionally. Evaluations in the United Kingdom are considerably more extensive, although cost-benefit analyses are less common.

Employment outcomes for jobseekers with disability in the United Kingdom depend strongly on the measure used. Overall, outcomes appear to be poor – less than one-third of all new participants find a job, with little variation across age groups (Table 5.5). Outcomes from NDDP measures, however, are much better, with one job entry for every two new participants. Also in this programme, variation across groups of clients is limited; most importantly, participants with mental conditions appear to have similar success rates as those with other problems. In 2005, more than 60 000 people entered the NDDP programme. However, this only accounted for 2.4% of the population flowing onto qualifying benefits (with the take-up rate in *Pathways* pilot areas being almost three times higher than elsewhere). As NDDP participation is voluntary, participants were probably more job-ready than the average benefit recipient (Stafford *et al.*, 2006).

The very high outcome rates for Workstep are mainly explained by the fact that it is aimed at providing support at work. Moreover, two-thirds of these employment outcomes are into sheltered jobs in an ordinary enterprise or into sheltered-work companies.<sup>11</sup> In 2001, a target was introduced to raise the proportion of participants transferring from Workstep into mainstream employment without support to 30% over a two-year period; however, this target was dropped in 2004 (Meah and Thornton, 2005).

Limited available information on outcomes from activation measures in Luxembourg suggests that of all persons with disability below the age of 50 (who are obliged to accept training and re-integration measures) only 12-13% move into a job. One reason for the low

**Table 5.5. Employment outcomes from activation programmes in the United Kingdom are promising**

Job entries as a percentage of new participants in employment measures, 2005

	Programme			Total
	NDDP	Pathways to Work	Workstep	
Total	48	16	77	31
<i>Age</i>				
18-24	46	14	70	28
25-49	49	17	78	33
50 and over	48	13	84	29
<i>Health condition</i>				
Mental	48	16	85	33
Muscular-skeletal	51	15	..	33
Cardio vascular	50	..	..	50
Other	47	16	76	30

Source: Department for Work and Pensions (DWP).

success rate may be that the Ministry of Education does not recognise diplomas received from these training programmes. Very partial information on employment outcomes exists for Spain: each year around 12 000 people with disability are hired on permanent contracts in the open labour market (compared to 47 000 registered jobseekers with disability); however, this is less than 15% of the number of people granted a disability benefit each year.

For the Disability Employment Network in Australia, no outcome measures are available. For Job Network providers, however, success rates can be calculated, with a split between participants with and without disability. Results depend very much on the indicator used (Table 5.6). The government defines successful outcomes as the number of positive outcomes over the number of exits from the service, with positive outcomes being employment, training or education three months after programme completion. This results in success rates for jobseekers with disability of 49%, which is lower but not much lower than the figure for those without disability of 62%. Success rates are higher for job placement measures than for intensive support. Outcomes from Vocational Rehabilitation

**Table 5.6. Employment outcomes for jobseekers with disability in Australia are slightly worse than for those without disability**

In percentage of those who commenced and completed a Job Network service, 2005

	Number of commencements	Number of exits	Positive outcomes	Positive outcomes as a share of exits	As a share of commencements	
					Exits	Positive outcomes
<b>Jobseekers with a disability</b>						
Job placements	27 160	4 452	2 636	59%	16%	10%
Intensive support: Customised assistance	46 728	18 984	8 695	46%	47%	19%
Intensive support: Job search training		2 907	1 538	53%		
<i>Total</i>	<i>73 888</i>	<i>26 343</i>	<i>12 868</i>	<i>49%</i>	<i>36%</i>	<i>17%</i>
<b>All jobseekers</b>						
Job placements	518 008	121 815	90 630	74%	24%	17%
Intensive support: Customised assistance	614 842	185 126	98 117	53%	52%	16%
Intensive support: Job search training		133 136	84 009	63%		
<i>Total</i>	<i>1 132 850</i>	<i>440 077</i>	<i>272 756</i>	<i>62%</i>	<i>39%</i>	<i>24%</i>

Note: Data refer to period July 2003-June 2004 and outcomes achieved up to September 2004.

Source: DEWR (2004) for commencements; Australian Institute of Health and Welfare (2005) for exits.

services (not shown in the table) are not so different from Job Network outcomes: 44% of those who exit the programme are either in employment or education three months later.

### ***Privatising the employment service – outcome-based funding***

One way to improve the quality of employment services is to monitor better what service providers, especially the PES, are doing and delivering. An innovative route to this is to change the system from input-based block grants to outcome-based funding. Such funding system is now in force in Australia for most service providers.<sup>12</sup> A similar move has also been taken a while ago in the United Kingdom for Job Brokers that are delivering the NDDP.

Outcome-based funding in Australia and the United Kingdom means that authorities purchase employment and rehabilitation services for people with disability from the private sector. Instead of reimbursing these providers upfront, both countries are making efforts to ensure that providers have incentives to deliver employment outcomes. Hence, the bulk of the payment for taking on jobseekers is received for successful transfers into jobs. In this way the system has a built-in self-selection process; those providers who fail to deliver will not stay in business.

Payments to providers in Australia are split up in several phases: a certain amount is paid in the service phase, while most of the payment is conditional on employment outcomes where a small fee is paid for the placement, a second fee when the person has remained in work for 13 weeks and a third fee after 26 weeks of work. The largest part of the payment is received for persons being placed in a job (or training) for at least 13 weeks.<sup>13</sup> Payments are also substantially higher when people have been referred to providers by either Centrelink or a Job Capacity assessor. Persons volunteering for service (e.g. those already on disability benefits) receive less support from providers because these people would only generate the providers AUD 65 for a placement. This is very different from the situation in the United Kingdom, where Job Brokers actively try to promote their service to attract disability benefit recipients to register and use their service.

The funding structure differs between the two countries in many ways. In Australia, fees are differentiated between clients depending on their disadvantage in the labour market. This system helps to make cherry-picking among service providers (or parking of more difficult clients) less appealing. In the early stage of Job Network, providers were often accused of providing fewer services to jobseekers that were more difficult to place (including people with disability). These jobseekers are now receiving a higher weighting in the Job Seekers Classification Instrument (JSCI) which is also used to determine service fees. Success in placing more difficult clients also results in higher points in the evaluation process – the so-called Star Ratings system. This system is currently used to monitor performance of Job Network members and a good rating is crucial to be included in the next round of tenders and, thereby, for staying in business.<sup>14</sup> A similar system, also based on relative success of providers, for Disability Employment Network providers has been developed recently and is currently being implemented. A Star Ratings system for Vocational Rehabilitation services is also in the early stages of development.

Provider funding in the United Kingdom is also defined in terms of job placements, but without taking the degree of disability (or disadvantage) into account. This absence of differentiation between easier and more difficult clients creates a risk that Job Brokers become more concentrated on job-ready people (Lewis *et al.*, 2005). This may aggravate

further along with rising caseloads because of successful implementation of *Pathways to Work* and, hence, more referrals.

Payments for service also differ across providers in the United Kingdom. The reason is that the government is negotiating different payment rates for different providers. Providers asking for too low payments may obtain similar outcome results, but what is important is sustainability of a placement. This should also be taken into account when negotiating payment fees. Work Directions, the most expensive service provider in the United Kingdom, receives GBP 4 100 for a full-time job lasting 13 weeks or longer. More generally, for NDDP providers, 12% of the negotiated amount is received as an upfront payment, another 44% after a placement in a job and the remaining 44% if the person remains employed for at least 13 weeks.

In the United Kingdom in particular, the definition of sustainable employment outcomes of 13 weeks is too short and should be changed, for example, along the lines of a House of Commons report (2006), which proposed that contracts with providers should reward job retention lasting for at least 12 months. In addition, some people may need to upgrade their skills or to be retrained; these possibilities are not well covered in the current funding procedures in the United Kingdom. Ways should therefore be sought to better reward intermediate outcomes and inputs, an issue also raised in the recent Freud Report on welfare reform (Freud, 2007).

### ***Strengthening institutional co-operation and co-ordination of services***

Another issue that countries are facing to a different degree is the need for co-ordination of services across different layers of government. For Spain, this is a relatively new situation following the process of decentralisation of a whole range of responsibilities (Chapter 2). Along these lines, the purpose of the Australian Commonwealth State Territory Disability Agreements is to define the roles of the different government layers in the provision of services for people with disability. Better co-operation across institutions is another way to improve delivery of programmes and employment outcomes, but also to avoid unnecessary shifting of people between different benefit schemes.

In this respect, the non-stop-shop approach in Australia (via Centrelink) and especially the United Kingdom (via the new Jobcentre Plus, which resulted from merging the employment service with the benefit institution) is important. Offering employment and insurance services at one place helps to avoid that people move between different types of income support payments and services, enables a better-streamlined and more client-oriented service delivery and increases efficiency by pursuing common objectives. Customer responses in the United Kingdom reveal that a majority of clients reported to be satisfied with the new Jobcentre Plus service. Also the staff expressed very positive views about the office environment, which may have helped them to provide a better service to customers (Corkett et al., 2005).

In all countries, there is still a need to better involve the national health sector with the employment service. Steps in this direction have already been taken in the United Kingdom through the introduction of Condition Management Programmes and in Luxembourg through closer co-operation between the national insurance authority, the PES and the health-related rehabilitation service. In Spain, the social insurance authority (INSS) is also improving its collaboration with the autonomous communities and hospitals through bilateral agreements and special funds.

### **B. Increasing responsibilities for individuals with health problems**

If more financial resources are made available for employment integration of benefit claimants, existing disability benefit recipients as well as those inactive people with disability outside the benefit system, it becomes more reasonable to expect people with remaining work capacity to make better use of them. Using some forms of mutual responsibilities for some of these groups is therefore a reasonable step taken by an increasing number of countries.

#### ***Are stricter responsibilities for people with disability the way forward?***

A group that in many countries is no longer eligible for disability benefits are those with partially-reduced work capacity. In Australia, Luxembourg and the United Kingdom these people are covered by unemployment benefits and obliged to enrol in re-integration measures to continue to receive their unemployment payments. Although they will be subject to activity requirements, these will, in many cases, be less strict than for “standard” unemployed people.

In Australia, requirements for jobseekers to look for work are clearly defined. People with partial work capacity are required to look for suitable part-time work, consistent with their assessed capacity, or to participate in appropriate services. However, the new regulations introduced by the *Welfare to Work* reform are so far only directed towards new claimants, while there are no changes for those people with partial work capacity *already* on disability benefit.

The United Kingdom’s *Pathways to Work* process is another example of a first step towards establishing a new balance between rights and responsibilities for disability benefit claimants. However, at this stage the work-focused interviews, aiming for a personal action plan, are the only mandatory element of the new process. Any action taken in response to these interviews is still non-compulsory. A further strengthening of responsibilities is currently being discussed, but the whole process is likely to remain voluntary for longer-term claimants.

In Luxembourg, obligations are in place through the redeployment process with either *internal* redeployment in the previous job, possibly with fewer hours or in another job with the same employer, or *external* redeployment with another employer (Chapter 2). However, actual job-search requirements and supports for those people classified as externally re-deployable are very limited.

As mentioned earlier, activation support in Spain is limited and in particular so for people with reduced work capacity. This can be explained, at least partly, by the use of partial disability benefits for people with partially-reduced work capacity and by the weak obligations for people to participate. Indeed, participation in available programmes is very low.

A critical issue is whether benefit sanctions should be introduced for those who refuse to participate in activation programmes. On the one hand, participation requirements cannot be enforced without sanctions. On the other hand, countries tend to shy away from using sanctions, even if these are in place on paper. Enforcing sanctions on people with health problems is often perceived as socially questionable. In addition, some clients with health conditions may be more likely to get activated in voluntary measures to which they have a right rather than in obligatory and enforced programmes. Sanctions, such as withheld benefit payments, exist in Australia for those who are not fulfilling the participation requirement for unemployment benefits. In the United Kingdom, similar

sanctions are in place for disability beneficiaries in Pathways areas who fail to attend their work-focused interviews. In both countries, some forms of sanctions also exist for people not showing up for the capacity assessments.

There is no obvious right or wrong in imposing stricter responsibilities and sanctions on individuals. In any case, stricter eligibility for disability benefits should go hand-in-hand with more and better targeted support for those people who no longer qualify for the benefit. This is important in countries such as Australia and Luxembourg (for people with partially-reduced work capacity) where the unemployment benefit scheme is open-ended. However, even in countries with time-limited unemployment benefits, when people would be taken off the benefit roll, they would instead transfer to social assistance or similar income support. The likelihood that these people end up on a disability benefit in the long run is high, which might be an argument for stricter requirements on individuals.

### **Very few people leave disability benefits rolls for employment**

The lack of any requirements for people already on disability benefits is one of the explanations for the very low share of recipients leaving these benefits for reasons other than deaths and transfers to retirement (Table 5.7). Overall outflow rates vary from 4.5% in Australia to 7% in the United Kingdom. These figures include flows not only into employment but also into inactivity, unemployment or other social benefits. In all three countries outflow rates fall with age, but less so in Australia. A positive sign in Luxembourg and the United Kingdom is that outflow rates in the two younger age groups are fairly high: two to three times higher than in the oldest age group. However, in terms of total numbers, this has little impact especially in Luxembourg where reciprocity rates are strongly skewed towards the age group 50-64.

Six out of ten people in Australia and the United Kingdom who leave disability benefits for other reasons than death and old-age retirement do so non-voluntarily (Table 5.8). Among those who leave benefits, only 12% in Australia and 22% in the United Kingdom move into jobs. These figures correspond to 0.6% of all recipients in Australia and to 1.6% in the United Kingdom. Analysis of Australian administrative data from 1990 to 2002 concluded that, each year, less than 1% of men on disability benefits transferred into jobs

**Table 5.7. Outflows from disability benefits are relatively low everywhere**  
Outflows to other statuses than death or retirement in percentage of disability benefit recipients, 2005<sup>a</sup>

		20-34	35-49	50-64	Total
Australia	Total	6.7	5.5	3.6	4.6
	Men	6.8	5.1	3.5	4.5
	Women	6.5	6.0	3.8	4.9
Luxembourg <sup>b</sup>	Total	11.4	12.7	5.3	6.1
	Men	12.7	12.3	4.8	5.5
	Women	9.7	13.4	6.4	7.2
United Kingdom <sup>c</sup>	Total	15.4	10.2	4.5	7.3
	Men	17.2	10.9	4.4	7.2
	Women	13.2	9.4	4.7	7.4

a) Data for Luxembourg refer to 2004.

b) Information on the number of deaths among disability benefit recipients are unavailable. These were imputed by using five-year age- and gender-specific death rates for Norwegian disability benefit recipients.

c) Data refer to the long-term incapacity benefit only.

Source: OECD estimates based on data supplied by national authorities.

**Table 5.8. The majority of recipients in Australia and the United Kingdom leave disability benefits involuntarily**

Reason for leaving disability benefits in percentage of outflows other than death and old-age retirement, 2005

Reason	Share in total terminations	Reason	Share in total terminations
<b>Australia</b>		<b>United Kingdom<sup>a</sup></b>	
Employment	12.5	Employment	22.2
Compliance Issues	44.1	Compliance Issues	8.7
Customer request	3.7	Customer request	11.1
Overseas	9.7	Closed certificate	15.9
Residency issues	4.6	Failed capacity test	39.6
Other	25.3	Other	2.4
Total	100.0	Total	100.0

a) Data refer to beneficiaries aged 18 to 64 on long-term incapacity benefits.

Source: DEWR for Australia and DWP for the United Kingdom.

(Cai *et al.*, 2006). Hence, low outcomes into jobs appear to have been stable over time. Leaving the disability benefit scheme in Australia (like in most countries) because of death is much more likely than to re-engage with the labour force (Lattimore, 2007).

To raise the low outflow rates, disability beneficiaries could be reassessed more systematically. But reassessing all disability beneficiaries would be expensive and time-consuming and probably not very effective since many of them would not find their way back to employment. For this reason, certain criteria such as severity of the disability, age or time on benefits will have to be used in identifying cases for reassessment.<sup>15</sup> For example, the share of people in receipt of benefits for less than two years ranges from 15% to 23% in the three countries for which such data is available (Table 5.9). If the duration is extended to five years, the corresponding figure reaches around 40% in all three countries. An additional approach would be to introduce a mandatory full reassessment after a few years for all future inflows, especially those younger than, say, 55 years of age.<sup>16</sup>

**Table 5.9. Share of disability benefit recipients in receipt of a benefit for less than two years**

In percentage of all persons receiving a disability pension, 2005

	Australia		Luxembourg		United Kingdom	
	Share within each age group	Share of the total	Share within each age group	Share of the total	Share within each age group	Share of the total
20-34	16.0	15.1	47.3	6.0	36.3	29.7
35-49	15.5	29.5	27.1	29.8	23.3	35.5
50-64	15.5	55.4	11.8	64.3	16.6	34.7
20-64	15.6	100.0	15.0	100.0	22.6	100.0

Source: DEWR for Australia, IGSS for Luxembourg, and DWP for the United Kingdom.

If support and assistance is improved, outcomes might well be more significant, as was shown by the voluntary Job Network Disability Support Pension Pilot in Australia (DEWR, 2005). In Pathways areas in the United Kingdom, the share of benefit recipients leaving benefit rolls is 8 percentage points higher compared to the national average (Blyth, 2006).

However, if former beneficiaries do not return to work but move onto other benefits, their mental health often deteriorates as do quality of life and overall well-being. Only interventions which encourage and support beneficiaries to come off benefits and



successfully assist them back into work are likely to improve health and well-being. Interventions which simply force recipients off benefits are more likely to harm their health and well-being (Waddell and Burton, 2006).

A similar situation appears for rejected benefit claimants. Because most of these applicants have, at the time of rejection, lost their job, they need additional support. Unless these people find a new job, they are likely to transfer to another scheme (such as unemployment benefits or social welfare benefits) and possibly end up on disability benefits in the long run.

### **C. New ways to better involve employers**

Activation measures and stricter participation requirements on individuals are not enough to raise employment rates of people with disability. There is also a need to encourage employers to increase their hiring and retention of people with health problems or disability.

#### **Raising employers' responsibilities**

**Experience-rating of employer premiums.** Employers' responsibility for assisting workers and jobseekers with health problems can be raised by transferring more responsibilities to employers for the sickness phase. In the United Kingdom, employers are responsible for paying the costs of sickness benefits for six months and in Luxembourg for three and a half months for white-collar workers (similar rules will soon be introduced for blue-collar workers). In Australia and Spain, employers have few responsibilities during this phase and periods are substantially shorter (Chapter 3).

Extending the length of continuous wage payment for employers in case of sickness is one form of *experience-rating*. Another way is to raise contribution rates (or, in the case of Australia, taxes) to public sickness or disability schemes for employers who generate a higher incidence of sickness absence or disability benefit inflows. Such systems exist already in many work injury schemes across the OECD, but are still rare in sickness and disability insurance schemes.<sup>17</sup> Obviously, it is not desirable to penalise employers who are willing to engage workers with health problems, but to hold responsible those employers who generate more sick workers and workers with disability than other employers in similar circumstances, *e.g.* in the same sector, for the extra costs involved.

A disadvantage with experience-rated contributions is that, although it most certainly improves health management in firms, it is likely to create adverse effects when it comes to new hires of persons with disability or persons with fragile health. Experience-rated systems should be carefully designed so to minimise this risk. This can be in the form of exemptions for employers hiring a chronically sick person or a person with a disability, or by combining experience-rating with a reduction in overall employers' social security contributions (or taxes), thereby rewarding employers investing in sickness management and prevention.

**Employment protection legislation.** Strict employment protection legislation (EPL) is another way of placing responsibilities on employers. In Australia and the United Kingdom, EPL is more flexible than in most other OECD countries, while in Spain it is one of the strictest (OECD, 2004).<sup>18</sup> The effect of EPL, and its enforcement, on the employment of workers with health problems is complex. In general, too strict EPL discourages layoffs, thus increasing job security for incumbent employees, and reduces hiring when labour

demand increases (OECD, 2006d). The strict EPL in Spain is also a reason why the country has the highest incidence of temporary jobs in the OECD area.

Casual or temporary jobs may help workers with disability to find, and remain in, employment and such be a bridge into more stable and regular jobs. The higher hiring rates for workers with and without disability in Australia and Spain (Table 5.1) suggest that this may be the case. Research also shows that 42% of all casual workers in Australia in 2002 held a non-casual job in 2004 (Melbourne Institute of Applied Economic and Social Research, 2005). To what extent these figures vary by disability status is unknown. However, among the four countries, employment rates of people with disability are lower in Australia and Spain compared to Luxembourg and United Kingdom where temporary or casual work is rarely used. Hence, casual or temporary employment contracts could also be an additional barrier to stable employment for workers with disability.

Casual and temporary jobs also tend to reduce these workers' chances to participate in training. This was found for Australia in 2001: Among casual employees, 34% had attended training in the previous 12 months compared with 58% of regular full-time employees (OECD, 2005d). The *National Strategy for VET 2004-2010* also stressed the importance to continuously upgrade workers' skills and to give workers in part-time, casual contracts and occasional employment equal opportunities for learning (Australian National Training Authority, 2003).

Since the 1980s, the main employment strategy of Spanish governments has been to expand the legal scope for the use of fixed-term contracts and, in the 1990s, to legalise the use of temporary work agencies (OECD, 2007b). These changes may have trapped some workers with disability in short and successive temporary contracts and thus have hindered the upgrading of human capital through work-related training, with negative effects on career progression and productivity. Given the short average duration of temporary contracts, incentives to invest in job-specific training are very limited for both employers and temporary employees (OECD, 2007b).

In March 2006, Australia deregulated its labour market further by amending the Workplace Relations Act. Employers with up to 100 workers are now exempt from unfair dismissal laws and have more freedom in laying off workers (although they are still subject to unlawful dismissal laws which do not allow them to dismiss an employee for discriminatory reasons). This may increase incentives for employers to take on new staff but also to reduce their use of casual workers.<sup>19</sup> Statistics show that, in the past 12 months, 96% of all jobs created were full-time compared to around 60% in the two previous years (Prime Minister of Australia, 2007). The new rules also introduced the right for workers, who have not used all their ten annual sick leave days, to cash out their remaining days.

**Employment quotas.** Another way to raise the responsibility of employers is by using an employment quota for people with disability, thereby forcing employers to hire a certain share of people with disability. Luxembourg and Spain use such a system; in Luxembourg the quota is set to 3% of the workforce and in Spain to 2%.<sup>20</sup> However, in Luxembourg the levy on companies not fulfilling their quota is low and in Spain the quota is not enforced.<sup>21</sup> The employment effect of these schemes is therefore very limited.

Estimated overall employment quota fulfilment is 96% in Spain and 44% in Luxembourg (Table 5.10).<sup>22</sup> The higher fulfilment in Spain is partly explained by a lower requirement for a legal disability certificate in combination with the lower employment

Table 5.10. **Fulfilment of the employment quota is weak in Luxembourg**  
Numbers in thousands and percentages

	All employed	Legally disabled people		Legally disabled workers		Legal employment fulfilment	Quota fulfilment	People with moderate disability
		000s	In % of all employed	000s	In % of all employed			
Luxembourg	191.5	4.4	2.3%	2.5	1.3%	3%	44%	8.0%
Spain	18 833.7	1 114.0	5.9%	361.1	1.9%	2%	96%	6.6%

Source: OECD estimates based on data provided by national authorities.

quota.<sup>23</sup> In addition, in Luxembourg, a claimant also needs to be employed or a registered jobseeker. Since there is significant stigma associated with a legal disability certificate, presumably many workers with health conditions would not apply for such a certificate, which may explain the low levels of workers (less than 2% of the workforce) with a legal certificate in both countries. Another reason is that people with a legally-registered disability are not hired in the first place: in Spain, less than one-third of all people with a legal disability certificate work, while the share in Luxembourg is more than half.

It appears that the quota levels in Luxembourg and Spain are fairly low compared to other countries where such systems exist (e.g. 7% in Italy, 6% in France and Poland, 5% in Germany and Portugal, and 4% in Austria). How high should an employment quota be, provided there is societal consensus about having such quota? The quota should probably be related to some level of disability degree in society. In Luxembourg and Spain, the shares of people with a *moderate* self-assessed disability (assuming that this is the group of people employers should be expected to integrate) are 8% and 6.6%, respectively, i.e. markedly higher than the current quota levels (Table 5.10).

In sum, this indicates that there is room for Luxembourg and Spain to increase the quota itself as well as enforcement of the rules. On the other hand, research from Austria concludes that employment quotas may help workers with disability to stay in employment but are considerable barriers for those who want to enter the labour market, with the net effect being negative (Humer *et al.*, 2007). The United Kingdom also had an employment quota system (introduced in 1944), but rules were never enforced and the system was abolished in 1996 in exchange for anti-discrimination legislation.

**Anti-discrimination legislation.** Discrimination and stigma are key barriers for people with disability to enter the labour market and can further reduce self-esteem and discourage those who want to work to actually look for a job. To help avoid such situations, all EU countries should, since 2006, have implemented the EU Directive 2000/78, providing that direct and indirect discrimination on grounds of political views, membership of a trade union, sexual orientation, disability or age are prohibited. Although the Directive is fairly general, it signals that discrimination due to disability is unlawful and is, as such, important in itself. In addition to this legislation, the United Kingdom introduced already in 1996 the Disability Discrimination Act (DDA). This Act is much stronger than the EU directive.

The DDA in the United Kingdom covers, among other things, employment rights for people with disability in terms of job offers, terms of employment, promotion, transfer or training opportunities, and dismissal or redundancy. The DDA also states that compliance to the Act should be by “reasonable adjustments”. In terms of employment, a reasonable adjustment could include a transfer to another post, making adjustments to the building,

having a possibility to work flexible hours, providing training, or modifying work equipment. However, there is no clear distinction of what a reasonable adjustment is. Instead, the Disability Rights Commission (DRC) provides detailed guidance and advice for persons with disability and their employers. The absence of binding directions makes it very complicated to judge what is reasonable or not, especially in cases of mental illness.

According to the DRC in the United Kingdom, the DDA has had a positive impact on employers' behaviour. In larger enterprises recruitment procedures have changed in favour of people with disability. However, the extension of DDA to small and medium sized enterprises in 2004 has not yet resulted in any major changes. One explanation for this is the lack of information regarding this legislation. For this reason, DRC undertook an information campaign in 2004. Overall, DDA appears to have had a positive effect on employment rates of people with disability. Still, more could be done: while 90% of employers have a policy to support race equality and 74% to support gender equality, only 43% of them have a policy to support disability equality (The Employers' Forum, 2005).

In Australia, anti-discrimination provisions in relation to disability are regulated in the Commonwealth Disability Discrimination Act (CDDA) from 1992. The CDDA provides a national framework and covers also Australian government departments and agencies. The Act provides that a person with disability has a right to the same employment opportunities as a person without disability and people with disability are protected against discrimination in all aspects of the recruitment process, in the terms and conditions of employment, in the promotion process, and in dismissal or retrenchment. In addition, all states and territories have some form of anti-discrimination legislation, which in most areas complement Commonwealth legislation.

In a report by the Productivity Commission (2004), the effectiveness of the CDDA was reviewed. The review concluded that, overall, the CDDA had been reasonably effective in reducing discrimination. However, not all objectives had been achieved: in particular, people with mental disability had been excluded. Moreover, success has been greater in terms of access to public transport and education compared to improvements in employment opportunities. Employment rates for people with disability fell between 1998 and 2003, while these increased for people without disability. One possible reason for this may be that the CDDA does not include the obligation to make *reasonable adjustments* (like in the United Kingdom).

Similar to the employment quota system, evidence on employment effects of anti-discrimination legislation on people with disability is inconclusive. Empirically it appears that employment rates of people with disability increased after the introduction of the DDA in the United Kingdom, but causalities are difficult to establish. Evidence for the United States points in the opposite direction; after the introduction of the Americans with disability Act in 1990, until 1995 employment rates of men with disability dropped by more than 7 percentage points despite a very strong labour market (DeLeire, 2000). However, it is generally concluded that this drop was not caused by the new legislation but rather by earlier changes in the benefit system which have eased access to disability benefits (Burkhauser and Stapleton, 2004).

### *Providing better support to employers*

**Financial supports available for employers.** Along with these responsibilities for employers, it is also important to consider measures that encourage hiring and retention of workers with health problems through, for example, the use of subsidised work, accommodation schemes and personalised support from either the PES or the social insurance institution. All four countries have some form of support to employers.

Australia has two main schemes that encourage employers to hire people with disability: the Workplace Modifications Scheme and the Wage Subsidy Scheme. The Workplace Modifications Scheme reimburses employers for the costs involved in modifying the workplace or purchasing special equipment to allow workers with disability to work, *e.g.* by building a wheelchair ramp. To qualify for assistance, companies must employ the person for at least eight hours a week in a job that is expected to last for at least three months. Between 1998 and 2002, the average amount paid per worker was AUD 2 200 (Productivity Commission, 2004). The Wage Subsidy Scheme provides incentives for employers to hire workers with disability under normal labour market conditions and is available to jobseekers participating in DEN and VR services. These subsidies are paid for a maximum period of 13 weeks and the maximum subsidy is AUD 1 500 per person.<sup>24</sup>

In Luxembourg, an employer who hires or retains a legally-disabled worker may receive a wage subsidy of up to 100% of the salary (usually 40%) and a 10% reduction of social security contributions. The subsidy is received if the employer can prove that the worker with a disability has a reduced productivity. In this case, an allowance can also be granted for special equipment or accommodation of the workplace (this happened in only 13 cases in 2005). The employer may also be reimbursed of the additional six vacation days for which workers with legally recognised disability are entitled. Several private companies do, however, indicate that – although they are informed about wage subsidies and other financial privileges for employing workers with disability – these incentives are not important for their considerations to hire such a worker. The PES is also using wage subsidies. These are temporary, but usually last for three years or longer. To prolong these subsidies, the employer has to re-apply and prove that the productivity of the person is still reduced.

In Spain, subsidies to employers hiring a worker with a legally-certified disability can take different forms, including reduced social security contributions, subsidies to accommodate the workplace, or annual lump-sum payments varying with age, gender and the severity of the disability. The government also promotes the transfer of temporary employment contracts into permanent ones for workers with disability. Work accommodation subsidies amount to EUR 900 and lump-sum payments (which are paid during the entire duration of the work contract) range from EUR 3 500 per year for a man younger than 45 hired on a temporary contract to EUR 6 300 per year for a person over age 45 with a severe disability and hired on a permanent contract. In addition, there are tax advantages for employers such as the corporate tax deduction of EUR 6 000 per year for each hired person.

Contrary to the other countries, the United Kingdom has no large-scale employment subsidies available to employers who hire or retain workers with reduced productivity (except for Workstep, see above). Some smaller wage-subsidy schemes exist on local levels, but these are not specifically targeted at persons with disability.

**Free and easy access to information.** Equally important is easily accessible information for employers about what supports are available and about what an employer can do to help a sick worker or to hire a jobseeker with reduced work capacity. Often employers complain about lacking information on this, but also about very complex procedures for applying to subsidies and supports.

A good-practice example in this regard is Australia's JobAccess initiative. JobAccess is a one-stop information shop for all matters relating to the employment and retention of people with disability, and addresses employers but also jobseekers with disability, co-workers and employment service providers. It includes a comprehensive website ([www.jobaccess.gov.au](http://www.jobaccess.gov.au)), a free telephone advice service (handled by trained JobAccess advisers), an online workplace adjustment tool giving a range of practical ideas and solutions for workplace modifications and adjustments, and an online claims process for the payment of workplace modifications.

Spain also has an increasing focus on workplace adaptation services, set up in 1997 under the umbrella of the National Centre for Personal Autonomy and Technical Aids (CEAPAT). CEAPAT is linked to IMSERSO and operates at the level of the autonomous regions. Multi-professional teams consist of experts in such fields as architecture, engineering, psychology, occupational therapy, computing and management. Services offered by CEAPAT include assessment and advice for workplace adaptations, production and adaptation of technical tools, training activities and information and advice on universal accessibility. CEAPAT also operates a comprehensive website on assistive technology and accessibility ([www.ceapat.org](http://www.ceapat.org)).

In the United Kingdom, practical advice and support to help people with disability enter or stay in employment is provided by the *Access to Work* scheme (see above). What has been found to be of particular importance to motivate employers to hire workers with disability, is information based on experience from other employers. This is one of the aims of the United Kingdom's Employers' Forum on Disability, a charity organisation funded by voluntary contributions from its members (mainly large private companies). The Forum advises employers through regular exchange and conferences, produces relevant publications, such as a guidebook on sickness management, and benchmarks its members other members.

In Australia, the (still much smaller) Employers Network on Disability has a similar role, by helping small and medium-sized enterprises to improve their record in hiring or retaining workers with disability. The main tool of the network is the promotion of good practice. One of the network's founding members is Benbro Electronics, a small company in the electronics business with very dedicated leadership. 40% of their workers have a disability, which is why Benbro Electronics has repeatedly won employers' awards. The key factor is that the management is convinced about the business case of employing workers with disability (Box 5.4). This is one of the greatest challenges for the future: especially for smaller companies, it is often difficult to make a business case based on hard evidence, although anecdotal evidence suggests that workers with disability tend to be sick less often, are extremely reliable and have a high retention rate. According to the management of Benbro Electronics, the key challenge is to convince employers to hire *one* worker with disability: once employers have the experience, i.e. once "they got over the line", they are far more likely to hire another worker with disability.

#### Box 5.4. **Benbro Electronics: A recurrent best-practice price winner in Australia**

Benbro Electronics is a small company with 20 workers, eight of whom with intellectual disability. The company won various national and state employers' awards, most recently the Prime Minister's disability employer of the year award 2006. Tasks of workers with disability include, for instance, assembling electronic equipment (which is then sold to the Ministry of Defence) – this is a very repetitive work perfectly suited for their intellectually challenged. Workers.

Benbro refuses any public subsidies for hiring workers with disability so as to avoid creating two types of workers, normal workers on one end and subsidised workers on the other, thereby avoiding to devalue the latter group. Salaries are slightly above market level, with no difference between workers with and without disability. They do not monitor absence rates, but their perception is that there are no differences between different groups of workers. The average tenure of their workers is 10.7 years, compared to a nationwide average in comparable businesses of hardly more than two years.

## 5.4. Future policy directions

In all four countries, employment rates of people with disability are far below those of persons without disability. In addition, their unemployment rates are almost twice as high. This chapter has tried to shed some light on how this situation can be improved by changing the role of employers, public authorities as well as workers and jobseekers with disability themselves. This section outlines some of the more important policy directions resulting from the analysis.

### ***Improve assistance to individuals to seek and find work***

People with health problems who can and want to work, but are currently inactive, should as far as possible be supported and encouraged by the public authorities to do so. Currently, this is not sufficiently the case in the four countries. Explanations for this include the predominant focus on new or soon-to-be benefit recipients as well as limited and unsuitable services. Employment services and support should be equally accessible for all persons assessed with reasonable employment chances.

To reach sustainable job outcomes from this support, employment programmes need to be better tailored to meet current labour market demands on the one hand and the needs of the persons who participate in these programmes on the other. Preferably, participants should have an individual action plan that details the steps that have been taken and those that will be taken to improve chances of finding employment. Such action plan could, for example, be developed together with the jobseeker's personal adviser (like in the United Kingdom).

This requires not only changes of the current approach to deal with jobseekers, but in some cases also to develop new and better employment programmes. Unfortunately, little is known currently about what works and for whom and, in particular, about the cost-efficiency of existing employment programmes. In this respect, a first step countries need to take is to introduce, or further develop in the case of the United Kingdom, their methods to monitor implementations and outcomes of their employment-activation strategies – in particular when the responsibility is decentralised to regional offices. The innovative

outcome-based funding of services in Australia and the United Kingdom is a step in the right direction which should be further fine-tuned.

### ***Improve services and incentives for employers to help them retain and hire workers with disability***

Employers have a key role to play when it comes to raising employment rates of people with disability. Employers should be encouraged to hire these workers. First and foremost this requires closer co-operation of caseworkers and employers and better matching of workers skills and the demands of the labour market. In addition, better financial incentives for employers may be needed that outweigh any potential (be it actual or perceived) hiring costs. This should in particular include targeted work-accommodation programmes.

Employers should also be encouraged to retain workers that develop a health problem. To do so they need appropriate support and assistance at an early stage by, for example, occupational health therapists from the social insurance office. This would avoid that many workers are left alone with their health problems that later develop into long-term benefit reciprocity. What is important for employers to improve their hiring and retention records for workers with health problems is free and easily accessible one-stop information about existing schemes, as is provided by Australia's Job Access initiative.

### ***Raise involvement and responsibilities among individuals and employers***

Improved and extended employment support to people with health problems may have little impact on employment rates unless these people actively look for work. In particular, this is the case if support is extended to certain groups of existing beneficiaries who are currently outside the focus of employment assistance. The introduction of new and better-tailored employment programmes, such as vocational rehabilitation, should therefore go hand-in-hand with strong financial incentives to work and stricter requirements on individuals to participate in such programmes.

Again, this may only be helpful if employers have an interest to increase their efforts to hire and retain workers with health problems. Support and assistance to employers should therefore be complemented with certain obligations. Employers need to take a larger responsibility for monitoring sickness absences of their employees, to seek advice from occupational health specialists, and to inform national insurance offices at an early stage to help prevent that people fall out of the labour market. Such prevention can, for example, include the development of a rehabilitation plan jointly with the employee, use of flexible working hours, or new work tasks. For such approach to be effective, proper financial incentives have to be in place.

### ***Improve co-operation between stakeholders***

Better co-operation and co-ordination of policy and services across different public authorities is another way to improve delivery of programmes and employment outcomes. It is also a way to avoid that people fall between chairs. In this respect, the non-stop-shop approaches in Australia and the United Kingdom are good examples. However, this alone does not do away with large regional variation in take-up rates of disability benefits or employment outcomes from support programmes. Hence, policy at a regional level has to be better implemented and monitored so as to reduce local discretion in the decision process. Finally, in all countries, there is still a need to better involve the national health sector with the employment service.



## Notes

1. Firms tend to offer part-time job opportunities to workers without rather than those with disability. In the United Kingdom, 27% of people with disability work part-time, but only 18% of employers with part-time employees hire people with disability in such positions. In Spain, 10% of all employees with disability work part-time, which is 2.5 times higher than the share of employers hiring workers with disability (EFILWC, 2007b).
2. Casual workers in Australia are employees who are not entitled to paid holiday or sick leave, have no expectation of ongoing employment and have a new contract of employment for each engagement with their employer. They receive a higher rate of pay (casual loading) to compensate for a lack of job security. Due to measurement problems, the Australian Bureau of Statistics defines casual employees simply as those employees who do not receive paid sick or holiday leave (ABS, 1999).
3. In Australia, for instance, between 1990 and 2000, the net loss of low-skilled full-time permanent jobs amounted to 200 000, while the net increase of full-time permanent professional jobs was 387 000 (ACOSS, 2005).
4. The United Kingdom's *Pathways to Work* is a process to better assist people with disability back to work. For a detailed description of this process see DWP (2002).
5. For a more detailed discussion of pros and cons of sheltered employment see OECD (2006b).
6. This is a crude and illustrative comparison, for two reasons. First, data refer to current programme participants in Australia and programme commencements in the United Kingdom. Secondly, neither are programme starts a subset of benefit inflows nor are programme participants a subset of current benefit recipients. While people are more likely to join programmes in the early stages of a benefit claim, there are starters who have been on benefit for years; nothing is known about the share of the latter, and how this differs between the countries.
7. For comparison, figures were 1% of GDP in Norway, 0.75% in Switzerland and 0.4% in Poland. The corresponding unemployment rates were around 4% in Norway and Switzerland, and 20% in Poland.
8. No data are available for Spain because of mainstreaming of employment schemes and the lack of a possibility to identify people with disability on mainstream programmes.
9. For comparison, corresponding per capita spending figures on activations measures in Switzerland are around 13 000 USD PPP, while spending in Norway is around 4 000 USD PPP (OECD, 2006b).
10. Initial evaluation results for the United Kingdom are so far based on qualitative research and shows that personal advisers welcomed this extension of the *Pathways* process but that, as expected, existing customers require significantly greater input than new customers (Barnes and Hudson, 2006).
11. The number of Workstep participants in the United Kingdom is around one-tenth of the number of participants in NDDP.
12. Outcome-based funding in Australia was introduced for the Job Network in 1998, for the Disability Employment Network in July 2005, and for Vocational Rehabilitation services in July 2006.
13. The information given in this paragraph applies only to Australia's Job Network. DEN and VR providers receive a monthly service fee for each client. Therefore, unless a person moves into employment very quickly after commencing with the service, the service fee received over time will amount to more than the outcome fees. The largest single payment for DEN and VR services, however, is the 26 week employment outcome payment. Moreover, contrary to Job Network, outcome fees are not dependant on how jobseekers have been referred to employment services.
14. One effect of these changes in Australia appears to be that the system has become administratively more costly and cumbersome for Job Network providers. Some providers indicated that 30-40% of their working day was spent on trying to achieve a high star-rating, i.e. finding jobs for a "perfect mix" of immigrants, people with disability, older and other jobseekers along with the filling out of the new administrative forms required by Centrelink (OECD, 2005c).
15. Changes in this regard are less needed in the United Kingdom, where part of the output of each disability assessment is a recommendation on when a person's status should be reviewed.
16. This is the approach taken in Poland, where benefits are only granted temporarily and, upon expiration of a temporary benefit (usually after three years), payments are terminated, individuals have to re-apply and their case will be fully re-examined. Together with a changed assessment process, this has reduced the number of disability benefits substantially in all age groups. However, many have transferred into other benefit schemes rather than moving into work (OECD, 2006b).

17. In the Netherlands, employers are responsible for paying the costs of sickness benefits for as long as two years. They are also paying for most of the costs of the first five years of disability benefit receipt of their former workers. Experience-rating has recently been introduced in the Swiss second-pillar disability insurance as well as in the private sickness benefit insurance (OECD, 2006b). Experience-rating also exist in the United States where employers' contributions to the unemployment insurance system depend on their firing behaviour.
18. Information for Luxembourg is not available.
19. The reason is that the old unfair dismissal laws did not apply to the majority of casual workers.
20. The reservation quota in Spain applies to public and private companies with 50 or more employees (in the entire company, not just the single office). In exceptional cases, companies may be partially or totally exempt from the quota provided that some of the substitute measures are applied instead. Substitute measures can include contracts with special employment centres or a self-employed worker with disability as well as donations to associations engaged in disability employment. Grounds for exemption include issues of productive, organisational, technical or financial nature on the one hand, and the inability of the PES to fill a vacancy with a qualified worker with disability on the other.
21. More generally, in Spain, it appears that, if a labour law is not included or referred to in the collective agreements, it is rarely enforced.
22. In 1999, in Spain, the estimated number of private companies that fulfilled the quota was 25% and in the public sector 30%. In France, Austria and Germany, the corresponding fulfillment rates ranged between 57% and 67% (OECD, 2003).
23. Such certificate requires that people have an incapacity level of at least 30% in Luxembourg and 25% in Spain (see Chapter 3 for a discussion of the assessment process of legal disability).
24. In Australia, wage subsidies are also available through the Job Seeker Account, which is available to people, such as people with disability, who are receiving intensive support through Job Network.

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## List of Acronyms

<b>ABS</b>	Australian Bureau of Statistics
<b>ACOSS</b>	Australian Council of Social Services
<b>AETR</b>	Average Effective Tax Rate
<b>ALMP</b>	Active Labour Market Programmes
<b>AMC</b>	Administration of Medical Control (Luxembourg)
<b>AUD</b>	Australian Dollar
<b>AW</b>	Average Worker
<b>CBI</b>	Confederation of British Industry
<b>CEAPAT</b>	National Centre for Personal Autonomy and Technical Aids (Spain)
<b>CMP</b>	Condition Management Programme (UK)
<b>CRS</b>	Commonwealth Rehabilitation Service (Australia)
<b>DB</b>	Disability Benefit
<b>DDA</b>	Disability Discrimination Act (UK)
<b>DEA</b>	Disability Employment Adviser (UK)
<b>DEN</b>	Disability Employment Network (Australia)
<b>DEWR</b>	Department of Employment and Workplace Relations (Australia)
<b>DLA</b>	Disability Living Allowance (UK)
<b>DSP</b>	Disability Support Pension (Australia)
<b>DWP</b>	Department for Work and Pensions (UK)
<b>ECHP</b>	European Community Household Panel
<b>EFILWC</b>	European Foundation for the Improvement of Living and Working Conditions
<b>EPL</b>	Employment Protection Legislation
<b>ESA</b>	Employment and Support Allowance (UK)
<b>EULFS</b>	European Union Labour Force Survey
<b>EUR</b>	Euros
<b>EU-SILC</b>	European Union Statistics on Income and Living Conditions
<b>FaCS</b>	Department of Family and Community Services (Australia; nowadays FaCSIA)
<b>FRS</b>	Family Resources Survey (UK)
<b>GBP</b>	British Pound
<b>GDP</b>	Gross Domestic Product
<b>GP</b>	General Practitioner
<b>HB</b>	Housing Benefit
<b>HILDA</b>	Household, Income and Labour Dynamics in Australia
<b>IB</b>	Incapacity Benefit
<b>IBPA</b>	Incapacity Benefit Personal Adviser (UK)
<b>IGSS</b>	Social Insurance Administration (Luxembourg)
<b>IMERSO</b>	Institute for Migrations and Social Services (Spain)
<b>INSS</b>	National Social Security Institute (Spain)

<b>IS</b>	Income Support (UK)
<b>JCA</b>	Job Capacity Assessment (Australia)
<b>JN</b>	Job Network (Australia)
<b>JSCI</b>	Job Seekers Classification Instrument (Australia)
<b>MA</b>	Mobility Allowance (Australia)
<b>METR</b>	Marginal Effective Tax Rates
<b>MISSOC</b>	Mutual Information System on Social Protection in the EU Member States
<b>MTAS</b>	Ministry of Employment and Social Affairs (Spain)
<b>NDDP</b>	New Deal for Disabled People (UK)
<b>NRR</b>	Net Replacement Rates
<b>NSA</b>	Newstart Allowance (Australia)
<b>PCA</b>	Personal Capability Assessment (UK)
<b>PES</b>	Public Employment Service
<b>PPP</b>	Purchasing Power Parities
<b>PSP</b>	Personal Support Programme (Australia)
<b>RMG</b>	Guaranteed Minimum Income (Luxembourg)
<b>RTWC</b>	Return-to-Work Credit (UK)
<b>SDA</b>	Severe Disablement Allowance (UK)
<b>SDAC</b>	Survey of Disability, Ageing and Carers (Australia)
<b>SSP</b>	Statutory Sick Pay (UK)
<b>USD</b>	United States Dollar
<b>VR</b>	Vocational Rehabilitation service (Australia)
<b>WHO</b>	World Health Organisation
<b>WTC</b>	Working Tax Credit (UK)



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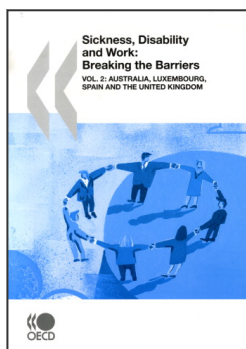
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