

**Press Conference for the release of**

***Sickness, Disability and Work: Breaking the Barriers***

**Volume 3: Denmark, Finland, Ireland and the Netherlands**

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**OPENING REMARKS**

**by**

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Minister, Ladies and Gentlemen,

The release of our report on *Sickness, Disability and Work* policy challenges in Ireland and three other OECD countries (namely Denmark, Finland and the Netherlands) comes at a time when everyone is talking about the recent financial crisis and the impact the economic downturn is likely to have on unemployment. Indeed, most OECD countries are set to face an increase in unemployment rates, even though we do not know how large this increase will be, and some – including Ireland – are already experiencing sharp increases in unemployment. This is a big turnaround in many cases after a prolonged period of steady economic growth with high rates of job creation and falling unemployment.

Do the new economic circumstances and the expected fall in labour demand have any impact on the analysis in our report and the recommendations we are making to the four countries which we have reviewed? *Yes and no*. Yes, because the argument that we need to reduce inactivity among the working-age population so as to address future, and in some sectors current, labour shortages will be less valid in the short term. No, because we argue for system reform to make sure that we help people use and exploit their full labour market potential – which would be good for the individuals concerned and their families and for the economy at large. Such reforms are of a long-term, structural nature and not invalidated by current economic trends. We are facing a situation in many OECD countries, including Ireland, where inactivity is increasingly caused by health problems, or by labour market problems that are being labelled as health problems. This issue has to be addressed irrespective of the economic climate.

In the current economic downturn, there is a great risk that countries may be tempted to revert to using sickness and disability schemes to cushion job losses, as some have done in the past. The findings in the report, however, caution against this as a big and expensive mistake. The vast majority of people who are put on disability benefits never work again and experience progressively worse health and social outcomes. In short, their contribution to the economy and tax systems is lost forever, even when the economic climate improves. This is a problem at a number of levels, particularly because many would much prefer to hold jobs and enjoy the many advantages that come from earning a salary. Continued system reform to provide the right incentives

and supports to those people, as well as all the other key actors involved, should therefore be a priority, irrespective of the current, very difficult economic climate. Hiding unemployment in the “wrong” welfare systems is a failed strategy: it is very costly, disruptive and economically unsustainable.

What relevance does all this have for Ireland? First, Ireland is one of those countries in which labour market problems have gradually been shifted in the past decades from unemployment to sickness and disability. Secondly, it is one of those countries that has resisted structural change to its sickness and disability system due to a lack of consensus until recently on the need for reform. Thirdly, more than in many other OECD countries, the line between unemployment and disability is very obscure in Ireland. Our report highlights that gate-keeping for disability payments is not very stringent and further disguised by the fact that there are three long-term disability payments with different eligibility criteria and assessment procedures. As a consequence, even prior to the current downturn, there was a sizeable number of people on disability payments who have work capacity which is lost to the economy. At the same time, there are people on the Live Register who probably have limited work capacity, which in turn leads to weak activation of the long-term unemployed also. This is not a very good point of departure.

That said, Irish policy has not remained inactive. The National Disability Strategy, in 2004, was a major milestone, setting the target to increase the employment rate of people with disability to 45% by 2016. Most importantly, the resulting Sectoral Plans for six government departments recognise the crucial role of inter-agency cooperation through jointly-agreed protocols between departments. DSFA’s Disability Allowance disregard, through which benefits are phased out more gradually when taking up work, is one tangible outcome of these plans. Taken together, these changes have a lot of potential. However, it remains to be seen how fast action will be taken. Identifying and agreeing on common objectives is one thing. The challenge now is to move from the new rhetoric to new policy.

Looking at current outcomes best explains why change is needed:

- Only about one in three Irish persons with a disability has a job: this is one of the lowest employment rates across the OECD. It is also striking that the employment rate among the disabled fell over the past decade, a period of strong economic growth and high job creation;
- Dependence on long-term disability payments has increased from 4% in 1990 (which was much lower than the OECD average) to 6.3% in 2007 (which is now above the OECD average), and there is no sign of a turnaround;
- Low employment and high dependence on comparatively low benefits bring a high risk of poverty, 2-3 times higher than for the general population: even on an absolute poverty measure, one in six people with disability are income-poor.

Our report sets out some policy recommendations for the Irish authorities to consider as they seek to redress the disappointing employment outcomes for people with disability.

First, they need to address the problem that employment services are detached from the benefit application process and that the take-up of services is very low, not the least because take-up is on a voluntary basis. Moreover, despite the commitment to mainstreaming, employment services are still predominantly outsourced specialist services, which lack proper monitoring. These issues could be tackled by the following measures:

- The planned customer-oriented intensive engagement with the DSFA upon claim application should include profiling; early identification of support needs; and systematic outcome monitoring. It should be resourced adequately, e.g. more facilitators than projected will be needed.
- FÁS should be the sole focal point for training and active labour market policy and the single point of entry for employers seeking to retain or hire a worker with health problems or disability.

- Specialist training by private, non-profit providers should be improved by a system of certification. The current annual bulk funding should, at least partly, be replaced by outcome-based funding of services.
- Activation and conditionality approaches to disability payments should be considered, e.g. a mandatory interview process. Further participation requirements may be needed, notably for young benefit claimants.

The second key challenge for Ireland is that the benefit system remains fragmented and the assessment procedures in place to determine eligibility to the various payments differ. There are also strong work disincentives for people on disability benefits arising from the loss of secondary benefits upon moving into work, especially access to free health care (Medical Card). These issues could be tackled by the following measures:

- Responsibility for all long-term health and disability benefits should be transferred to DSFA. Some of the existing payments could be merged – and in the longer run, it would be desirable to move towards a single payment for all people of working age, or at least a single means-tested payment to start with.
- The untapped employment potential of claimants of long-term payments could be better identified by a more stringent and better developed medical and vocational assessment.
- Access to health care needs to be improved, e.g. by making the entitlement to a Medical Card independent of benefit status, thus giving people permanent access to the card once they are assessed as having a disability.
- Work incentives need to be improved by better promoting existing regulations and by making in-work payments permanent. Also partial return to work should be promoted.
- To tackle the low level of income of people with disability, adequate cost-of-disability payments need to be considered. Any such payments should be independent of the work status and separate from income support payments.

Let me conclude by saying that it will require much courage and political will to push forward with comprehensive reform to the disability benefit systems in order to promote employment for people with disability in the current economic climate. But needed reforms should not be put on the long finger. Some of the other countries covered in this report, notably the Netherlands, have managed to implement far-reaching system change.

One recent change in Ireland, of which we have been informed only a few days ago, namely the new two-year time limit for Illness Benefit, is an important structural step in the right direction – one which is (was) in our list of policy recommendations. We hope that several other steps will follow.