

**Can Canada Pension Plan Disability Benefit program have better
return-to-work incentives for full labor market integration of
beneficiaries, reducing the cost of the program?**

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Contents

Executive Summary..... 4

Introduction 6

 Research Question 7

 Research Scope 8

Canada Pension Plan Disability Benefit (CPPD) 9

 Return to Work Incentives 10

 Importance of CPPD 12

 Profile of CPPD Beneficiaries 12

 An Overview of the Application Rates per Province 13

 Conclusion 14

Where does Canada stand in comparison to other OECD countries 15

 Conclusion: 21

Policy Reforms adopted by OECD Countries 22

 Focus more on the remaining work capacity 22

 Targeting job search activities 23

 Partial benefits offered instead of permanent benefits 24

 Moving towards single working age benefits 29

 Temporary Benefits 30

 Eligibility criteria for granting temporary benefits 32

 Right level of disability benefit 34

 Better Cross-Agency Co-operation 34

 Incentives for public authorities 36

 Evaluating labor market program 37

 Right services at the right time 37

 The Role of Employers 38

 Sharing information amongst employers 41

 Role of Medical Professionals 42

 Conclusion 44

Policy Recommendations 48

 Evaluation and monitoring of the program 49

 One-stop-shop Model 49

Access to Employment Support Programs.....	50
Mandatory participation requirement	50
Early Intervention- Right Services at the right time.....	51
Employers’ Role	52
Outcome-based funding	53
Conclusion.....	53
Conclusion.....	54
Bibliography	56

Executive Summary

This paper presents a brief summary on Canada Pension Plan Disability Benefit (CPPD), the single largest public long-term disability insurance program in Canada. The CPPD provides income security to those people who have suffered prolonged and severe disability that makes a person incapable of pursuing any substantially gainful occupation. The paper discusses the issues that CPPD faces today which includes the number of growing beneficiaries and the increasing cost of disability benefits. Each year between 1997-2007 payments rose to 2.2% per year and the number of recipients grew by 1.4% per year (HRSDC 2011a). One of the major issues faced by CPPD is the welfare dependency on disability benefits where people with health conditions leave labor market permanently and never return to work despite their willingness and ability to work. This creates labor shortage for the Canadian economy and consequently increases the cost of disability benefits. The purpose of this paper is to look into this problem specifically and analyze the following research question “Can Canada Pension Plan Disability Benefit program have better return-to-work incentives for full labor market integration of beneficiaries, reducing the cost of the program?” The paper focuses on return to work incentives offered by CPPD and makes a comparative analysis of what other OECD countries are doing to integrate people with health conditions into the labor market in order to reduce the cost of their disability benefits.

The paper highlights the findings for all OECD countries where deep economic downturns tend to hit disabled people more than the general working age population and hence increases the beneficiary caseload. There are number of reforms introduced by OECD countries to effectively integrate people with health conditions into the labor market. These reforms include countries being more focused on remaining work capacity, making job search activity a requirement for

people on disability benefits, offering partial benefits instead of permanent benefits while encouraging people with health conditions to continue applying for employment, moving towards single age benefits, engaging employers and medical professionals, evaluating labor market programs, giving right services at the right time. All these reforms have had a positive impact in reducing the number of beneficiaries and thus reducing the cost of disability benefits, integrating disabled people into the labor force in an effective manner.

Canada, like many other OECD countries, shares similar problems including low rates of employment and high poverty risk for people with disability. The report concludes by presenting policy recommendations for Canada in order to improve the effectiveness of its policies for individuals suffering from disability. Some of the policy recommendations include better coordination between federal and provincial governments, evaluation and monitoring of the labor market programs, one stop-shop model, easy access to employment support programs, providing right services at the right time and enhancing employers' role in managing sickness absences for workers.

Introduction

People with disabilities are the most disadvantaged segment of society and face considerable barriers in entering the labor market. They are not only limited by their actual impairment but also face a hostile environment which makes it even harder to enter into the labor market.

Therefore, people with disabilities are less likely to be employed than other working-age people. The nature, severity and duration of the disability affect and influence employment. Other factors that influence the chances of employment include the needs of accessible transportation and other accommodations that might be required by a disabled individual.

Taking an overview of the OECD countries, each country has something to offer in terms of its policy elements that other countries can learn from. Unfortunately, disability benefits remain a major issue in most OECD countries where reforms have been partial to date. The main concern for the government remains that people with health conditions are denied the opportunity to work despite the fact that they can work. The main challenge for most OECD countries is to facilitate those who are able to work to enter into the labor market by providing them a pathway to enter the labor market and incentivizing employers to hire them (OECD 2008).

Employers are encouraged to play a role in engaging disabled but are not given enough incentives to do so. The layers of actors involved in the process makes it more difficult to give right services to the right people. Too many people remain inactive since the system supports people being out of work and work disincentives are huge. Too many people leave the labor market due to health problems and little or no incentive is given to them to return to work despite their working capacity. In some cases, people are denied the opportunity to work due to their health problems despite their willingness and ability to work. This is of course not a surprise considering that work has become more challenging than it was before, making it harder for

disabled people to cope with the requirement of work. Where people with disabilities have low skills or less competence, they face more difficulty in entering the labor market as compared to people with no health conditions.

Research Question

In Canada, a mix of policy and programs are in place to address the issue of unemployment amongst disabled people. However, while different actors (e.g. social assistance programs, employment insurance programs) are involved in a range of interrelated services (like job seeking activities), conceptually these services are distinct. Today, the Canada Pension Plan Disability Benefit is under immense growing pressure. According to summative evaluation of the CPPD published in 2011, each year during the study period of 1997 – 2007, benefits were received by nearly 300,000 individuals and payments amounted to about \$3.5 billion. Within this period, payment amounts rose at a rate of roughly 2.2% per year and growth in the number of recipients was at a rate of 1.4% per year. The cost of disability in terms of benefits and lost income taxes are significant for the government of Canada while lost productivity has a negative impact on the Canadian economy. It is therefore important for the Canadian government to take appropriate steps to reduce the cost of disability benefits by offering better return to work incentives for the beneficiaries for full labor market integration. Keeping this phenomenon in mind, the paper analyses the following research question:

“Can Canada Pension Plan Disability Benefit program have better return-to-work incentives for full labor market integration of beneficiaries, reducing the cost of the program?”

The paper looks at Canada Pension Plan Disability benefit in detail and discusses the main challenges that are faced by CPPD today and what can be done to improve the return-to-work incentives and labor market integration for disabled people to reduce the rising cost of the CPPD.

Research Scope

This paper will focus on Canada Pension Plan Disability Benefit. It will give a brief background on the CPPD, the issues and challenges faced by CPPD and the return-to-work incentives offered by CPPD. It will then make a comparative analysis on how other OECD countries perform in terms of their disability benefit programs, what steps are taken by other OECD countries in trying to reduce the cost of disability benefits and incentivizing beneficiaries to stay in the labor market. The paper concludes by making policy recommendations which will help Canada in reducing its cost of the disability benefit program by providing better return-to-work incentives. By providing better return to work incentives, Canada will also increase the labor supply and increase the productivity which will have a positive impact on the Canadian economy.

Canada Pension Plan Disability Benefit (CPPD)

The Canada Pension Plan (CPP) is a social insurance plan funded through employers, employees and self-employed. CPP benefits are taxable income and benefits are adjusted annually based on the Consumer Price Index. CPP contributors can apply for disability benefits only if their physical or mental disability is prolonged or severe. To qualify for CPPD benefits, a person must apply in writing when he/she develops a disability that meets the following definition under CPPD legislation, Act 42(2) (Service Canada, 2012b):

(a) “a person shall be considered to be disabled only if he is determined in prescribed manner to have a severe and prolonged mental or physical disability”, and for the purposes of this paragraph,

(i) “a disability is severe only if by reason thereof the person in respect of whom the determination is made is incapable of regularly pursuing any substantially gainful occupation, and

(ii) A disability is prolonged only if it is determined in prescribed manner that the disability is likely to be long, continued and of indefinite duration or is likely to result in death” (Department of Justice, 1985).

To be eligible for CPPD pension, a person must have made valid CPP contributions for a certain number of years. This is referred to as the Minimum Qualifying Period (MQP). The MQP has changed and tightened over the years. Before 1998, to be eligible for CPP an individual needed to have contributed in at least two out of three years or five out of ten years. The eligibility criteria tightened after 1998, whereby an individual must have contributed at least four out of six years to the CPP or, for long term contributors, three out of six years (Torjman, 2002).

Additionally, the minimum level of earnings required to be eligible for disability benefits is \$5,000 (Service Canada 2012b). This amount is based on the Disability Basic Exemption, which

is calculated as 10% of the Year's Maximum Pensionable Earnings rounded down to the nearest \$100 (Human Resources and Skills Development Canada, 2008). Benefit receipt ends when an individual is determined as able to pursue employment on a regular basis; meet performance expectations on the job; and, earn at the substantially gainful level (Service Canada, 2012b). The substantially gainful level is equivalent to the maximum monthly CPP retirement pension (Human Resources and Skills Development Canada, 2011b), which, for 2012, is \$986.67 (Service Canada, 2012a).

It is expected that individuals will report if their work capacity has improved and in case of a delay in reporting, an individual will have to repay the benefits. In the event an individual is capable of going back to work, the benefits will be cancelled altogether. Applicants are allowed to appeal in the adjudication court in case they think they have been wrongly denied of the benefits (Torjman, 2002). This is an important element of CPPD since it ultimately leads to lowering of CPPD costs once the beneficiary returns to work.

Return to Work Incentives

In order to incentivize individual to go back to work, CPPD has several support programs available to beneficiaries who would like to go back to work. These include volunteering where individuals may participate in unpaid work to gain experience. Additionally, CPPD has also conducted a pilot project to determine the feasibility of the rehabilitation provision of the disability benefit. The main idea is to determine eligible beneficiaries and provide them vocational rehabilitation so that they could go back to work. The whole program is based on the premise that vocational rehabilitation is more successful if it is undertaken immediately after a person gets disabled. It recognizes that new technology and medical science will enable individuals to return to work even in case of severe and prolonged disability. It focuses on

upgrading job skills and training and job accommodations. The benefits are paid during the vocational rehabilitation to the clients and benefits are continued after the completion of the program to encourage individuals to look for employment for 3 months. It may extend for another 3 months but cannot exceed for more than a year. The financial investment on each beneficiary cannot exceed the annual disability benefit (HRSDC 2003). An individual is not considered gainfully employed unless he has worked for 3 months and his annual earnings are greater than 1/12 of the 25% of the Year's Maximum Pensionable earnings. If an individual fails to find a job, the disability benefits will continue until the beneficiary finds a gainful employment (Service Canada 2012b, Torjman 2002). Although there are incentives available for people with health conditions, the number of Canadians with disabilities taking advantage of vocational rehabilitation and employment supports is low. Canadian disability benefit makes people dependent on the welfare and labor market excursion rather than labor participation, similar to other OECD countries. The system focuses too much on what the person cannot do rather than what the person is capable of doing, thus the system itself has a negative impact on many people who can otherwise perform given the right incentives (OECD 2010b).

If a person is prevented from continuing work as a result of a recurrence of their medical condition within two years of the benefit cease, their benefits will be reinstated. This is termed as Automatic Reinstatement. Beneficiaries who are prevented from working due to a recurrence of their medical condition and had been contributing to their CPP after the benefit cease could reapply for the benefit up to five years after the payments were terminated (Service Canada, 2012b). Automatic Reinstatement acts as a motivator for beneficiaries who fear that they might lose their benefits once they return to labor market. Since this option allows them to work

without fear of losing their entitlement of benefits, it acts as an incentive for beneficiaries to return to work.

Importance of CPPD

There are few advantages that CPPD offers, one of which is that it helps in alleviating poverty levels and low income amongst disabled by providing income replacement through disability benefits. These help beneficiaries in improving their quality of life and create a positive impact on their lives. Out of all CPPD beneficiaries, 22% have an after tax family income below the corresponding after tax low income cut off as compared to 15% of all Canadians between the ages of 18-64. In absence of disability benefit, the after tax family income below the corresponding after tax low income cut off would be 40%. Therefore it is safe to say that CPPD helps in reducing the gap between the income and low income cut off by more than 50%. This reduction in the low income cut off by half is directly proportionate to the improvement in the quality of all beneficiaries. It helps them in living independently and actively and aids them in looking after their dependents. According to HRSDC report published in 2011, 72% applicants who were granted CPPD acknowledged that they wouldn't have been able to live independently without CPPD, 50% agreed that CPPD helped them live actively, 66% indicated that wouldn't have been able to support their dependents without CPPD and 64% said that CPPD helped them in getting the necessary items of their requirements (HRSDC, 2011).

Profile of CPPD Beneficiaries

It is important to see the demographics of the beneficiaries since demographics play an important role when it comes to entering the labor force. Age plays an important role. Younger beneficiaries will tend to stay longer on the disability benefits increasing the cost of the disability program overall. In 1996, females accounted for 43%, which rose to 51% by 2006. This is due to

the increase in the labor force participation by females (HRSDC: CPP-OAS 2009 stats book). If we look at age profiles, 55% were in the age group of 55-64 in 2006 as compared to 18% in the age group of 50-54 in 1996. CPPD beneficiaries have higher prevalence of low income which is 22% than non-beneficiaries which is 15%. Most beneficiaries are married which accounts for over 60% whereas 33% applicants have children. This is important to keep in mind since dependents/children of beneficiaries are also eligible for disability benefits. The higher the number of beneficiaries with children/dependents, the higher will be the cost of disability benefits (HRSDC, 2011).

An Overview of the Application Rates per Province

Another question relates to the extent of similarity and dissimilarity of outcomes, trends and challenges within Canada. If there are certain provinces that need attention of the public entities, it is important to study provinces separately within Canada. If we take an overview of the approval rates province wise, we will see that the highest approval rate is in PEI with 66%, followed by Newfoundland which was 65% and New Brunswick which was 63% and the lowest was observed in the Prairies which ranged from 45% to 51%. The average application rate for Canada was 0.110%. During 2001-2006, the highest application rate was in Nova Scotia which was 0.136% followed by Newfoundland which was 0.122% followed by PEI which was 0.118% and the lowest was in Ontario and Saskatchewan which was 0.095% (Human Resources and Skills Development Canada, 2011a).

The approval rate for applicants in Canada is 56% overall. The application rate depends on the labor market forces. As unemployment rises, the application rates tend to increase simultaneously. Adverse labor market shocks, recession and bad economy tend to increase the

application rates since individuals are displaced from the labor force and they seek more of disability benefits.

Conclusion

Although Canada Pension Plan Disability benefit provides return to work incentives which includes vocational rehabilitation and automatic reinstatement, the number of Canadians taking advantage of these facilities and employment support is very low. The CPPD makes people dependent on the welfare system and people with health conditions leave the labor market after being granted disability benefits. The system focuses too much on what an individual cannot do rather than focusing on an individual's remaining work capacity. The system itself has a negative impact on people with health conditions who can otherwise perform in the labor market, given the right incentives and employment support. This phenomenon is similar to other OECD countries as well. The next section will highlight where Canada stands in comparison to other OECD countries and what are the issues that Canada faces today in terms of its disability benefits.

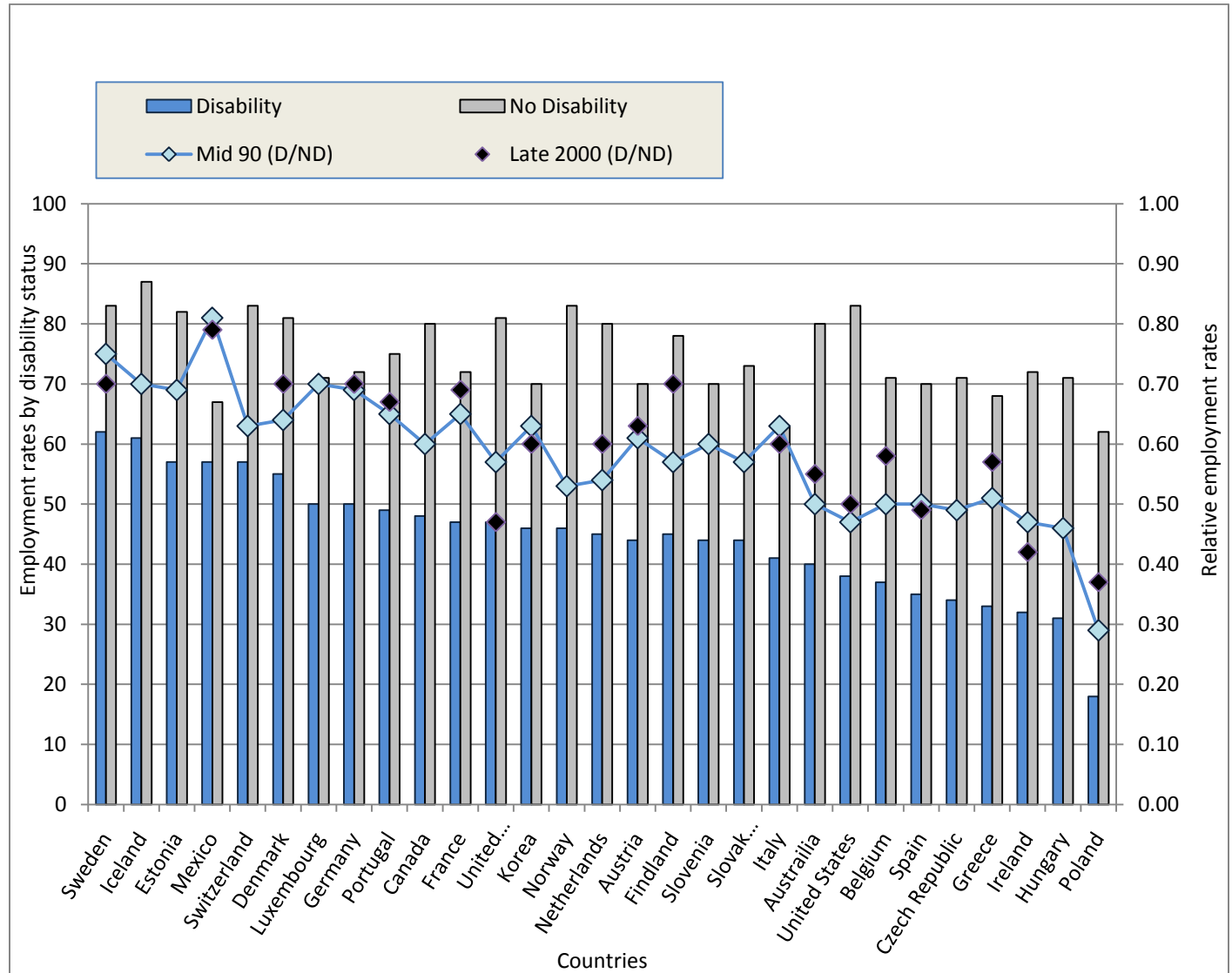
Where does Canada stand in comparison to other OECD countries

The key issues arising in most OECD countries in the disability field include insufficient labor market integration, higher public spending due to high cost of disability benefit schemes and poverty level households for persons with disability.

Many OECD countries are trying to overcome the challenge of people with health conditions relying more and more on permanent disability benefits. How does Canada compare to the rest of the OECD countries is discussed in this section.

According to an OECD report published in 2010 (see Graph 1), the highest employment rates for disabled people were in the Nordic countries, Mexico and Switzerland whereas Hungary, Ireland and Poland ranked lowest, both in absolute and relative terms. Canada is amongst the top 10 for employment rates for disabled people (OECD 2010a).

Graph 1: Employment rates of people with disability are low and have been decreasing in many countries.



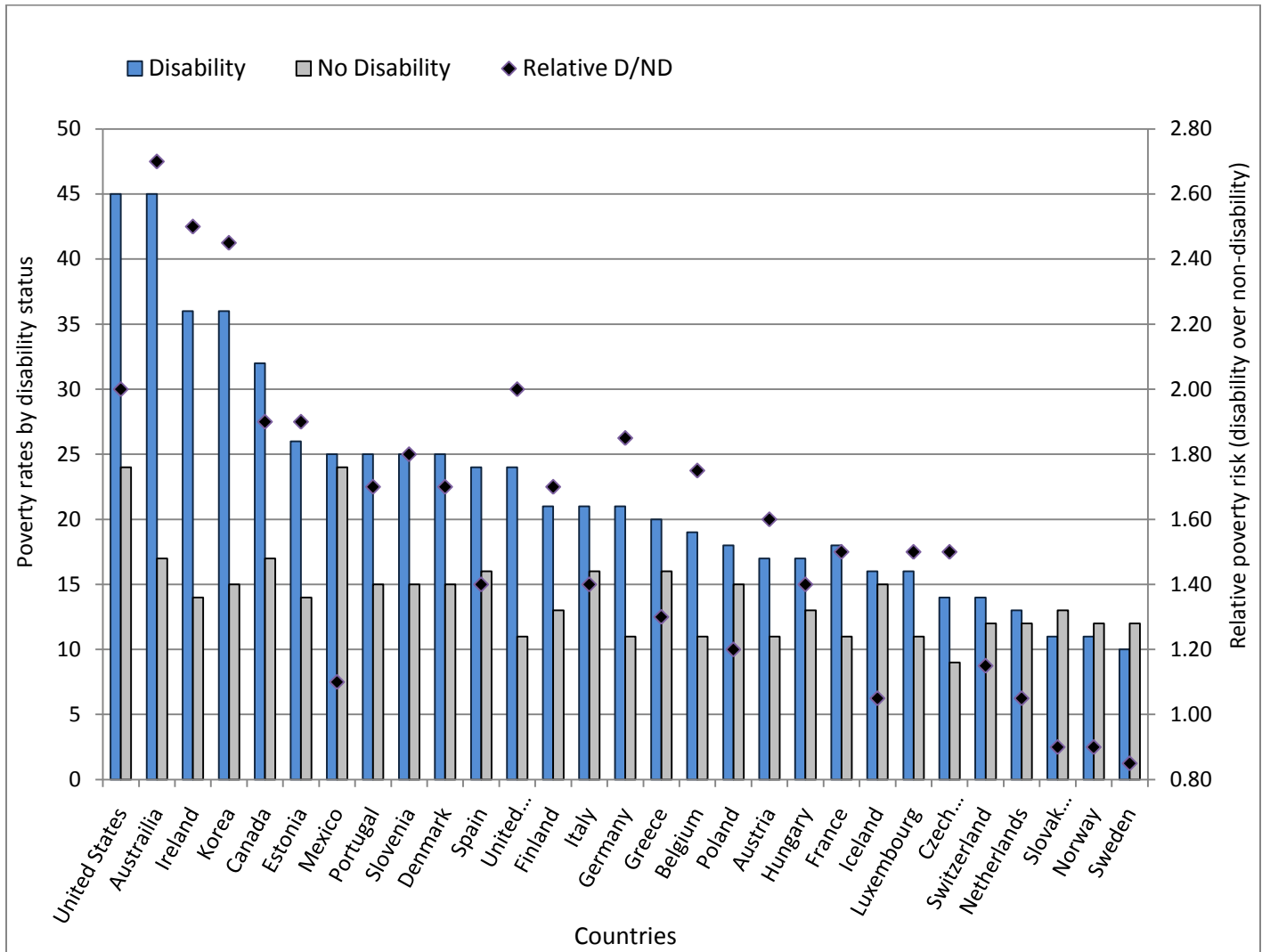
Notes:

- Left axis: Employment rates by disability status in the late-2000s
- Right axis: Trends in relative employment rates since the mid-1990's (people with disability over those without)

(Source: OECD, 2010a)

The other challenge faced by governments is to overcome the higher poverty risk for disabled people. On an average, the poverty threshold is around 22% for all households with a disabled person as compared to 14% for all other households. In most OECD countries, disabled people have 15% lower income than the national average and in some countries it drops down to 20-30%. However, education plays an important role in employment: the higher the education level, the higher would be the income levels of people with disabilities. Relative poverty is quite variable amongst all OECD countries. Of the data available, seven countries have seen an increase in the poverty risk for disabled people as compared to the rest of the working age population. Canada ranks number five for disabled people who are at a greater risk of living in or near poverty (see Graph 2).

Graph 2: People with disability are at greater risk of living in or near poverty



Notes:

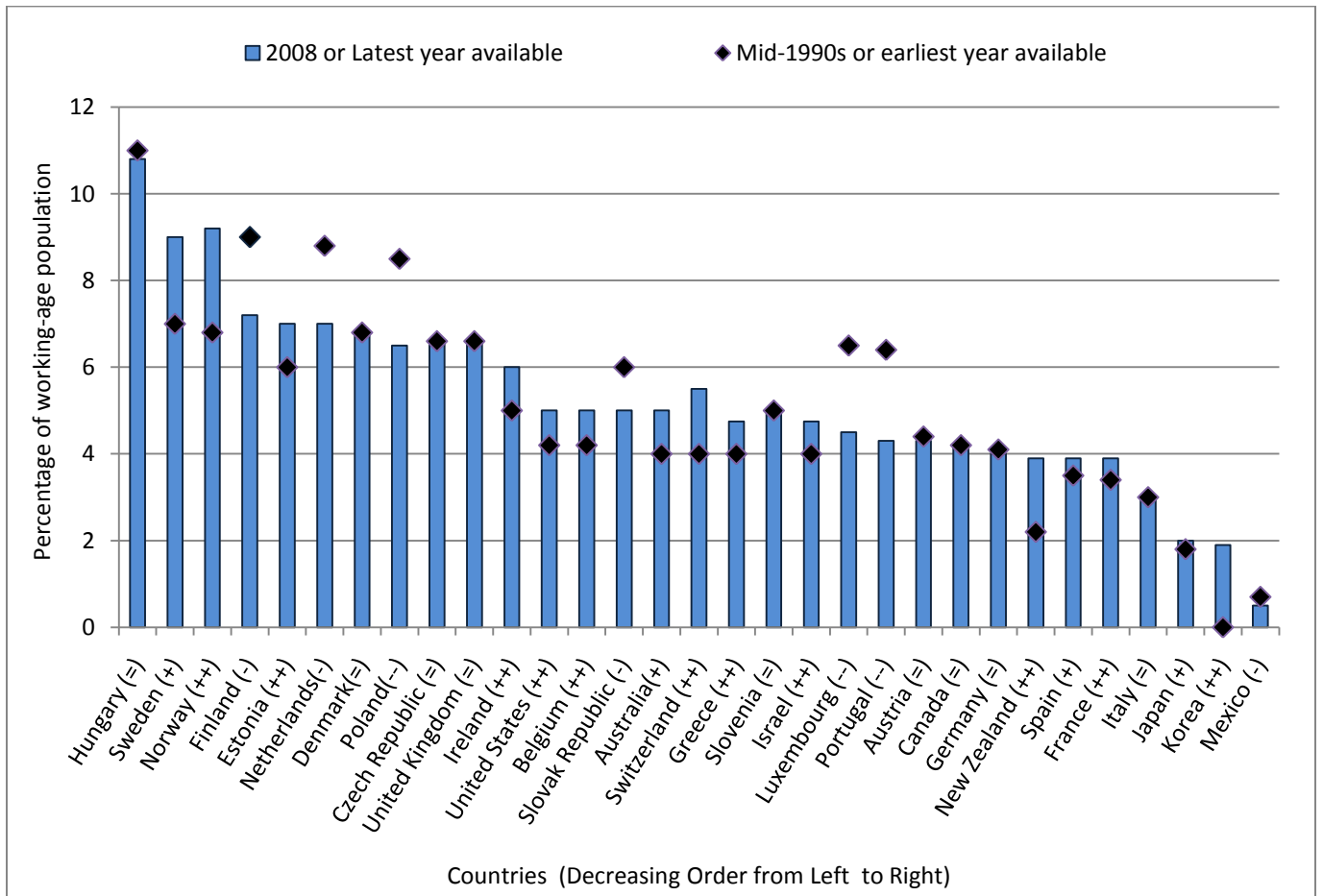
- Left axis: Poverty rates by disability status in the late-2000s
- Right axis: Relative poverty risk (disability over non-disability, in the mid-2000s)

Source: (OECD 2010a)

Another challenge faced by OECD countries is the high cost of disability benefits. The high cost of disability benefits is directly proportionate to the increasing disability beneficiary numbers.

On an average 6% of the OECD working age population received disability benefits in 2007. In some OECD countries, the benefit recipiency rates increased to around 10%. In some other OECD countries, the rates have fallen drastically as a result of tightened access to disability benefits. These include Poland, Portugal, Luxembourg and the Netherlands. Canada has managed not to increase the benefit recipiency rates; however there is no decrease in the benefit recipient rates either (OECD 2010a). For Canada, the figure in Graph 3 below includes recipients of the following payments: Canada Pension Plan Disability, Québec Pension Plan Disability and Social Assistance with a disability designation from all provinces and territories. However, our main focus will be Canada Pension Plan Disability Benefit, which is under growing pressure and has increased substantially over the years as discussed in the introduction section (OECD 2010a).

Graph 3: Disability benefit recipiency rates are high and still increasing in many countries
 (Disability benefit recipients in percentage of the population aged 20-64 in 28 OECD countries)



Source: (OECD 2010a)

Conclusion:

The key issues arising in most OECD countries in the disability field include insufficient labor market integration, higher public spending due to high cost of disability benefit schemes and increase in poverty level households for persons with disability. The highest employment rates for disabled people were in the Nordic countries, Mexico and Switzerland whereas Hungary, Ireland and Poland ranked the lowest in employment rates. Canada is amongst the top 10 countries for employment rates for disabled people. One of the key issues that most OECD countries face today is the increasing level of disability benefit recipients. The highest increase in the number of benefit recipients have been in countries like Norway, Estonia, Ireland, United States whereas Poland, Luxembourg, Portugal have shown a decrease in the number of benefit recipients. For Canada, the figure in Graph 3 above includes recipients of the following payments: Canada Pension Plan Disability, Québec Pension Plan Disability and Social Assistance with a disability designation from all provinces and territories. However, Canada Pension Plan Disability Benefit has been under growing pressure and has increased substantially over the years. Another challenge faced by the government is that people with health conditions are at a higher risk of poverty level as compared to people without disabilities. United States, Australia, Ireland, Korea and Canada face higher risk of poverty level for people with health conditions whereas Slovak Republic, Norway and Sweden are at a lower risk of poverty level for people with health conditions.

The next section highlights the numerous reforms introduced by OECD countries to overcome the challenges of full labor market integration for disabled people, higher public spending due to increase in cost of disability benefits and increase in disability benefit recipients.

Policy Reforms adopted by OECD Countries

Disability benefit has a negative impact on people who still have partial capacity to work, because it increases the welfare dependency of an individual. In return, this imposes a cost on the economy in terms of lost productivity and benefit payments. It would make more sense if disability benefits were only given to people who were totally incapacitated to work; however this is not true in most cases. The biggest challenge is to stop increasing the dependency on disability benefit for people who still have the capacity to participate in the labor force. It is therefore imperative that the process of identifying applicants with the capacity to work shouldn't be granted lifelong disability benefits as people rarely give up the benefits once they are granted for a lifetime. Efforts should be made to assess the remaining working capacity of individuals and they should be given incentives to participate in the labor force. (OECD 2009, 2010a).

Focus more on the remaining work capacity

Disability benefits are provided based on the assessment given by medical professionals. Patients' feedback and their demands may play a role in the medical decisions been taken. However, a person granted full disability may still have the capacity to work but due to the medical assessment, he or she may be excluded from the labor market altogether. Medical assessment cannot be used as a primary determinant of disability benefit. Many countries are now recognizing this flaw in the system and are focusing more on the remaining work capacity rather than lost working capacity. Countries like Denmark are now focusing more on the remaining functions and possible jobs that a person can still perform. The Netherlands, for its part, assesses an individual based on the person's functional abilities, which are matched to job requirements in order to determine the individual's earning capacity (OECD 2010a). Sweden has taken a different approach by introducing a "rehabilitation chain" where sickness benefits are

paid for 90 days and the employee is given a chance to resume his duties with some alterations. In the next 90 days, if an individual cannot perform their duties, they are expected to accept another job. After 180 days, an individual is assessed against all jobs available in the market (OECD 2009, 2010a).

Most countries are now focusing and implementing changes which aims at evaluating remaining work capacity and broadening the labor market for people with health conditions, these modifications will help in establishing a system which will integrate disabled people in the labor market force.

Targeting job search activities

Unlike unemployment benefits, where beneficiaries are given benefits as long as they are pursuing job search activities, disability benefits are lifetime where no job search activity is required regardless of the person's capacity to work. Many countries are now targeting job search activities and adopting vocational rehabilitation before benefits are granted to disabled people. Vocational rehabilitation is a process which enables persons with health conditions to overcome barriers to accessing or returning to employment or other gainful occupation. Vocational rehabilitation can require feedback from a range of health care professionals and other non-medical disciplines such as disability employment advisers and career counselors.

Countries like Austria, Germany, Hungary, Switzerland and Denmark have rehabilitation requirement before the benefits are granted to applicants. Similarly, in Luxemburg people having partial work capacity are required to enroll themselves in training and reintegration process. Both Switzerland and Luxembourg have seen a drastic decrease in the number of disability benefits inflow although this modification was one of many other changes and the impact of rehabilitation is not known in isolation. The United Kingdom has introduced "Pathways-to-

work”, whereby a series of six work-focused interviews are conducted on a monthly basis where an advisor develops an action plan for an individual. This usually starts eight weeks after the benefit claim. Through these interviews, the benefit advisor is in a better position to develop an action plan for the beneficiary and evaluate return to work programs for the beneficiary (OECD 2010a).

Partial benefits offered instead of permanent benefits

Many OECD countries provide partial benefits in order to encourage individuals to remain in work or continue to look for employment in the future. Many countries grant full benefits only to those people who are fully incapable of working. Partial benefits are granted to those who have some degree of remaining work capacity. In this way, beneficiaries are entitled to some benefits while also being attached to the labor market. Each country has a different system of accessing partial work capacity of an individual. A brief summary is given below of all OECD countries on partial disability benefit regulations (OECD 2010a, pg.109).

Table 1: Summary of all OECD countries on Partial Disability Benefit Regulations

Australia	No partial benefits, full benefits are given if an individual is unable to work for more than 15 hours/week within the next 2 years
Austria	No partial benefits, only full benefits are given to 50% work capacity reduction
Belgium	No partial benefits, only full benefits with 66% earnings capacity reduction in the usual occupation
Canada	No partial benefits, full benefits eligible to severe and prolonged mental or physical disability that prevents an individual to pursue any gainful

	occupation
Czech Republic	Three levels of disability benefits; first level if work capacity declines by 35-49%, second level if work capacity declines by 50-69% and third level (full benefit) if work capacity declines by at least 70%
Denmark	No partial benefits, full benefits are applicable if all activation efforts have been exhausted, person is permanently disabled and unable to perform a part time job
Finland	Full benefits are given if work capacity is reduced by 60%, half benefits are given if it is reduced by 40-59%
France	Full benefits only for those who cannot perform any occupation, reduction in quasi-partial benefits with 66.6% earnings capacity reduction and unable to carry out any occupation.
Germany	Full benefits for persons who are only able to work less than 3 hours/day. Partial benefits for those who can work 3 to 6 hours/day
Greece	Three levels of disability benefits- first level at 50-66% work capacity reduction, second level at 67-79% work capacity reduction and third level which is full benefits at 80% earnings capacity reduction
Hungary	Partial benefits with 50-79% damage and person cannot work without rehabilitation, full benefits with more than 79% of damage on health.
Ireland	No partial benefits, only full benefits available to those who are unable to work or if a person is at a disadvantage in undertaking suitable work
Italy	Full benefits if a person is 100% incapacitated or 66.6% work capacity

	loss, no partial benefits
Japan	Full benefits with medically determined disability that severely restricts the person's ability to work, no partial benefits.
Korea	Three levels of benefit depending on the degree of disability, paying 100%, 80% or 60% of the insured's basic pension amount for total, medium or minor disability
Luxembourg	Full benefits only for those unable to carry out their former occupation or another occupation corresponding with their abilities. Quasi partial benefits in respect to the last workplace if redeployed in their own or another company
Mexico	Full benefits if 50% work capacity reduction in previous job, no partial benefits
Netherlands	Full benefits if permanent capacity reduction of at least 80%. Reduced benefits for those with a full but temporary capacity reduction of 35-79%
New Zealand	Full benefits if permanently and severely restricted in work capacity Disability expected to last at least 2 years and an individual cannot work for more than 15 hours or more in open employment.
Norway	Partial benefits granted for work capacity reduction of 50-94%; full benefits granted for at least 95% reduced work capacity
Poland	Reduced quasi partial benefits (worth 75% of full benefit) if unable to carry out the usual occupation. Full benefits if unable to carry out the work

Portugal	Full Benefits is given if a person is 100% incapacitated permanently, partial benefits if 66.6% earnings reduction capacity
Slovak Republic	No partial benefits, full benefits for more than 40% earnings capacity reduction which will last for at least one year.
Spain	Reduced quasi partial benefits (worth 55% of full benefit), full benefits if unable to carry out work at all.
Sweden	Partial benefits (25/50/75% of a full benefit) determined in relation to the number of hours a person can work. Full benefits if a person cannot work for more than two hours/day
Switzerland	Full benefits if earnings capacity reduced by 70%, three quarter benefits if earnings capacity reduced by 60-69%, half benefits for 50-59%; and quarter benefits for 40-49%
Turkey	Full benefits for 40% work capacity reduction and no partial benefits
United Kingdom	No partial benefits, full benefits only for people who cannot seek employment in the open labor market
United States	Full benefits to those unable to engage in any substantial gainful activity due to medical impairment which has lasted or is expected to last for at least 12 months or results in death.

Another challenge for the government is to transform partial disability benefits into in-work payments, thereby promoting work to those with less working capacity while avoiding to draw too many people into benefits. In-work payments provide work opportunities to people with partial work capacity and allows them to stay attached to the labor market while also receiving

income support from the government. Denmark replaced the partial benefit into a generous wage subsidy scheme called “flex-jobs”. Subsidies are available at two different levels (one-half or two thirds of the previous wage), which cover the full difference between the previous and the new wage. The requirement to give out the subsidy is based on the person’s incapacity to work under normal conditions and all rehabilitation efforts have been exhausted. In the Netherlands, workers having earnings incapacity of 35%-79% receive a wage supplement based on the amount of remaining work capacity actually used. At least 50% of the remaining work capacity needs to be used in order to be eligible for the wage subsidy. If an individual is not working, a flat rate benefit is paid that is lower than the wage supplement. The system in the Netherland is much more promising and successful than Denmark’s system of flex-jobs, the reason being that wage supplement encourages and ensures that only those groups of people who are working are getting higher benefits (OECD 2010a). Other countries are trying to get labor market integration by categorizing people with partial work capacity under the unemployment benefit system. This makes it compulsory for people with health conditions to actively seek for job opportunities while they are on unemployment benefits instead of becoming dependent on the disability benefits which are permanent in nature. For example, in Australia, people who can work up to 15-29 hours a week are classified as unemployed and are required to seek part-time jobs. It is same in the Netherlands where people with reduced working capacity are required to search for part-time jobs and are treated as unemployed instead of been granted disability benefits (OECD 2007, 2010a). In Luxembourg, people with reduced working capacity receiving sickness benefit are moved to a proper “redeployment” procedure, which means shifting individuals to job search support. This “redeployment” procedure can result in employment with permanent payment to

compensate for any difference between previous and new earnings or receive a waiting allowance equivalent to disability benefit till the person finds employment.

Moving towards single working age benefits

Efforts are now being made to move to a single working age benefits instead of having different benefit systems for sickness, disability, unemployment, etc. The idea is to offer a single working age benefit to the whole working population in need of income support with contingency payments to cover the other costs related to health and offer employment support for better labor market integration. Countries are now trying to curb the problem of people moving from one benefits system to another: e.g. from unemployment benefits to disability benefits (because their health restrictions are too strong) to social security benefits (because the health condition is not severe enough) and back to unemployment benefits. These groups of people are less likely to integrate into the labor market; after a few years of getting income replacement from different benefit systems, they will often end up with disability benefits. The reason for disability benefit being so attractive is because they are permanent in nature. The United Kingdom, Germany and Norway are examples of single working age benefits. In the U.K. benefits were combined under the umbrella of “Employment and Support Allowance” where they work in a similar way to unemployment benefits and individuals are required to look for employment. In Germany, benefits are combined for all employable people of working age seeking income support; people are considered employable if they can work for at least three hours per day for more than six months. Norway, on the other hand, merged different types of medical and vocational benefits into one “Work Assessment Allowance”. The focus is more on profiling and assessing a person’s workability profile.

Temporary Benefits

In an effort to curb the problem of dependency on disability benefits, OECD countries are now confining new applicants to time-limited payments. Countries are now giving temporary benefits to people with health conditions so that they don't become dependent on these benefits and make every possible effort to integrate back into the labor market. In most cases, once a country makes the benefits permanent, the benefit recipients do not go back to the labor market. Hence countries are now focusing on giving temporary benefits based on the person's ability to work. Below is a table of OECD countries that highlights the benefit duration and the regulations imposed in order to acquire these benefits (OECD 2006, 2010a, pg. 114).

Table 2: Summary of all OECD countries highlighting the benefit duration and regulations on temporary benefits:

Australia	Risk based profiling for medical reviews are irregular and uncommon, annual income and asset tests via a questionnaire
Austria	Temporary for up to 2 years, continued if there is no health improvement, benefits available on a permanent basis if 100% disabled
Belgium	Granted indefinitely with flexible examinations, usually permanent after three years
Canada	Permanent with regular earnings review
Denmark	Permanent in case rehabilitation failed
Finland	Temporary subject to rehabilitation plan and assessment
France	Temporary subject to flexible re-evaluation

Germany	Temporary for up to three years if reasonable prospect for improvement with repeated renewal
Greece	Temporary and regular assessment at regular intervals but temporary benefits can become permanent
Hungary	Temporary with renewable periods
Ireland	<i>De facto</i> permanent
Italy	Permanent for full disability, temporary for up to three years for partial benefits i.e. partial benefits becomes full benefits after 6 years
Japan	Temporary and reassessment should be at regular intervals
Korea	Flexible; periodic review of not completed diseases.
Luxembourg	Retesting at irregular intervals in case of temporary disability. No re-testing in case of permanent disability benefit
Mexico	Temporary for renewable periods if there is potential for recovery, usually permanent after 2 years
Netherlands	Permanent for permanent disability, temporary payments for up to 5 years for partial or temporary benefits
New Zealand	Regulated review procedures at 2 years, 5 years or never depending on the medical information
Norway	Temporary benefit if situation has the potential to improve or a permanent benefit
Poland	Strictly temporary for three years, after three years, case gets re-

	examined as if it was a new case
Portugal	Permanent but not definitive, i.e. a revision test is possible at any given time
Slovak Republic	Reassessment is performed at certain intervals depending on the condition
Spain	Sickness benefits can be paid for 30 months for temporary disability after which the benefit becomes permanent
Sweden	Permanent but subject to review every third year
Switzerland	Granted as long as conditions are fulfilled but re-test possible at any time
Turkey	Subject to re-testing according to request
United Kingdom	Generally temporary as long as the work capability assessment threshold is met
United States	Periodic continuing disability eligibility review, conducted at 6-18 months interval if improvement is expected. Every three years if medical improvement is possible or every 7 years if improvement is not expected.

Eligibility criteria for granting temporary benefits

The main question arising from temporary benefits is the assessment criteria and how seriously these assessments are taken. Evidence suggests that due to a large number of recipients, these assessments are not taken seriously. The criterion for assessment is very narrow and a benefit can only be withdrawn if the medical condition has changed. If the eligibility criterion for granting

disability benefit is not strict, the whole exercise of going through assessment for temporary benefit fails. Norway is one such example. Norway introduced its temporary benefit scheme in 2004. Annual new claims before and after the reforms showed a huge increase of 40-60% in the inflow rates of claimants after the new reforms of temporary benefits were introduced. This is an indication that the entry level threshold for granting disability benefits is very low, which poses a major problem since temporary benefits are usually turned into permanent benefits after a certain period of time. Another thing to note is that improved work capacity can happen without any change in the medical condition: e.g. a person managing his health condition in a better way can also improve his work capacity. This is a problem especially for young people who will stay on disability benefits for life. The Netherlands, Australia and Norway have been quite proactive in getting young people to make better use of their work potential. The Netherlands has given a mandatory “participation plan” for people between 18-27 years either with a wage or study subsidy along with job search activity and job coaching. At the age of 27, a final assessment is performed to establish their disability. Australia, on the other hand, is funding a two-year trial that encourages young people to participate in disability employment services.

One other problem for the government is the grandfathering of existing entitlements, which means that new rules apply only to new applicants while old claimants remain untouched. This is a problem since it traps old beneficiaries on long term benefits without giving them support or an opportunity to participate in the labor market. In the Netherlands, the entire caseload of beneficiaries was reassessed according to the new rules and regulations and almost 40% of claimants were found to be fit for work. Although the reassessment takes up a lot of resources, time and effort, the consequences of old and new beneficiaries joining the labor force can save a lot of public spending in the long run. In order for people to engage in the workforce, some

countries have made it easier for beneficiaries to work without losing their benefits. Countries like Canada, Finland, Norway, Australia, U.K and U.S.A are a few examples of countries that have adopted this approach. Sweden and Denmark have taken a step further by allowing beneficiaries to stop working at any given point in time and allowing them to have their benefits back without any reassessment. This helps the beneficiaries to overcome any fear of losing their entitlement and encourages them to integrate into the labor market (OECD 2007, 2010a).

Right level of disability benefit

Another challenge for government is to provide enough financial incentives to disabled people in order for them to move from disability benefits to labor market integration. Generous and accessible disability benefit makes it attractive for people not to work and stay on those benefits for life (OECD 2003). Across countries, net replacement rates (NRR) are generally higher with 70 to 110% higher for low wage earners and 15 to 30% points lower for average wage earners. Other replacement income from other benefit systems like free medical care, family allowance, child supplements within the disability benefit system increases the net worth of disability benefits even further in some cases. Beneficiaries are not inclined to go back to the labor force since they are getting more benefits sitting at home as compared to those beneficiaries who enter the labor market and lose their entitlements by paying high taxes at work and getting reduced disability benefits. Such disincentives can further drive beneficiaries away from work. Therefore it is important for governments to have one-stop-shop solution or better cross-agency cooperation as discussed below to curb this problem.

Better Cross-Agency Co-operation

There are layers of actors involved in handling disability benefits which makes the system confusing, uncoordinated and unsystematic. Efforts are been made by OECD countries to modify

services in such a way that they are customized to peoples' need and reaches them at the right time.

Better coordination among different welfare agencies can help in reducing the cost of the program. All welfare agencies play a key role but each agency has a different agenda of its own: e.g., employment services agency may find it difficult to place an employee and shift the employee towards rehabilitation just to ease their caseloads. This doesn't help employees or the system. Therefore, better cross agency cooperation is required to overcome this problem.

Although better coordination is hard to achieve since it might hinder the political interest or make an agency more vulnerable, both at the same time, it is imperative to provide sufficient incentives to these agencies to make the right choice for their clients (i.e. to make a proper assessment of their health conditions and an evaluation of their working capacity so that they can integrate into the labor force) and not merely grant the benefits so as to make their work easier.

One way of improving coordination between the different actors (i.e. government and relevant agencies) is to merge all these actors and offer clients "one-stop-shop" services. This will automatically help in reducing the shifting of people around from one benefit agency to the other. One good example is the U.K. where the benefit agency and employment services were merged to form "Job Centre Plus". Norway, on the other hand, merged the National Insurance Administration and National Employment Services into one national agency: "The Labor and Welfare Administration". The reforms in Norway have been too recent to draw a conclusion; however, the U.K. has successfully managed to streamline its services (OECD 2006, 2009, 2010).

Too many actors offering different benefits and different employment services not only increases the cost for the government but also confuses the clientele and makes the system more

complicated and non-transparent. Finland is one good example of a complex system with its vocational rehabilitation system; there are too many entities involved, making it not only difficult for the client to understand what is the right path to take but also making it complicated for the system itself (OECD 2010a).

Efforts are being made to match the right agency with the right role and to manage resources and funding in an appropriate manner. Some countries have outsourced this exercise to private companies and service providers to increase vocational rehabilitation and employment service capacity using outcome based funding. For example, Australia and U.K. paid a higher remuneration to those who managed to place less competitive jobseekers in the labor market. If this approach provides better and more employment opportunities, then it should not be restricted to private companies and should be adopted by public servants as well (OECD, 2007, 2009).

Incentives for public authorities

Another challenge for policy makers is to develop enough incentives for public authorities since they play an active role in managing benefits and monitoring the clientele. It is easier for public authorities to grant disability benefits to their clientele, hence easing their caseload rather than constantly following up with an individual to see if he/she is actively engaged in job searching. In contrast to disability benefit, unemployment claimants have to be constantly followed up to ensure that they are actively looking for employment. Efforts are now being made to ensure that enough financial incentives are given to public entities so that they make every possible effort to engage the person with remaining work capacity to return to work. The Danish system is one of the good examples for providing higher remuneration to those public authorities providing both employment supports and benefits grants (OECD 2009).

Evaluating labor market program

Another challenge for authorities is to gauge their labor market programs critically and improve the programs by evaluating them and implementing the lessons learnt. There is a lack of data on the outcomes of labor market program and where there is data available, there is limited sharing of information across institutions. With this new focus of employment-based disability policy, it is imperative that public authorities share their creative policy responses, their experiences in implementing the policy and come up with an optimal policy response. Denmark and Switzerland have recently recognized this potential of sharing information amongst their public authorities.

Right services at the right time

Another element that is crucial is the timing of the intervention. In most cases, service intervention comes at the time when the person has been out of work for a long time and has no inclination to go back to work. The benefits have been granted to him and the claimant finds it easier to stay on lifelong benefits rather than pursuing any gainful occupation. It is therefore important for authorities to intervene when it is the right time: i.e. when the person files for his disability benefit and before the benefits are granted to him. The claimant should be given numerous options for employment in order to encourage him to return to work (OECD 2003).

Employers, doctors and medical professionals along with other public entities can play a role in identifying sickness in a person before it gets too late. Public entities can manage the services of individuals by setting the stage for social insurance workers who can help in monitoring the clients and provide the clients with necessary feedback. Once a person is on sickness benefit for a long period of time, he/she often ends up claiming a disability benefit. To avoid this vicious cycle, it is important that service agencies take appropriate actions to avoid long term sickness

benefits turning into disability benefits. To overcome this problem, many countries have now put a time limit on the duration of sickness benefit: e.g., two and half years in Sweden and two years in Ireland. Finland and Denmark have developed a categorization method where they can identify cases at risk of developing long term absences. Other countries have taken initiatives on setting up time frames and regulation for implementing of rehabilitation plans (OECD 2009, 2010a).

The Role of Employers

Employers play an important role in assessing employee health problems and monitoring long term sickness. They can potentially develop and plan rehabilitation and work retention for this group of people. Since employers are in the business of maximizing their profits, it is important that public entities give them enough financial incentives for them to fulfill their responsibilities diligently which includes monitoring sickness matters and managing the services in such a way that helps and facilitates sick people returning to work as soon as they can (OECD, 2003 & 2009).

People working are generally in better health conditions than people who are out of employment. Having said that, working conditions are now becoming more and more demanding and people tend to work longer hours than before. People with low skills and competences find it harder to find jobs and, when they do, it becomes difficult for them to compete in the labor force. Employees are thus less secure about their work. All these factors add stress to the work environment, which leads to more health issues.

Keeping these facts in mind, it is becoming more and more crucial that public authorities offer enough financial incentives to employers so that they can offer an employee friendly environment and support to employees so that they remain attached to the labor market. Finland

and Sweden have addressed this issue and have put emphasis on employers' legal obligations to run preventive occupational health services and create healthy work environments. Sweden is also in the process of establishing its system of occupational health services; these services will help in monitoring workplace, action programs, early detection of sickness or any other condition that might lead to disability (OECD 2009).

When recession and economic turmoil hits hard on the company finances, organizations tend to lay off those employees who are less productive or who suffer more in terms of their health conditions by transferring them to long term sickness benefits or disability benefits. Sickness benefits are usually followed by disability benefits. In order to avoid this situation, countries are now looking at making employers responsible for paying off the sickness benefits to their employees. This means that companies should be given enough incentives so that they can properly manage sick workers but it would be unreasonable to expect companies to find all solution by themselves.

In Netherlands, the cost of sickness benefits is paid to workers by their employers for as long as two years, during which period they cannot be dismissed from work. Employers are also responsible to monitor absences from work. The employer has to inform the company doctor during the first week of absence. By week eight, both employer and employee have to make concrete plans for reintegration and evaluation procedures for follow up on the progress of the employee. (OECD 2009, 2010a).

The extent to which employers pay towards sickness benefit differs drastically. Some employers pay for longer periods of time without any reinsurance (meaning employers cannot reinsure their risk with a private insurer) possibility. These countries include Austria which pays for 6-12

weeks, Germany which pays for 6 weeks, Italy for 3 months, and Luxembourg for 13 weeks but none of these countries have high absence rates. Countries with high absence rates tend to have shorter employer-provided sickness payment period. There is no ideal period of payment from the employer but one thing is certain, involving employers in co-payments can be an effective strategy in curtailing long term absence rates and as a result can lower the payments for disability benefits.

While imposing strong sanctions and responsibilities on the employer is an effective strategy to curtail long term absences, it is however important that enough financial incentives are given to employers to fulfill their responsibilities. This includes providing them with enough awareness on the costs of the disability benefits (which is zero in one-third of the cases and very substantial in other cases), making administrative work less time consuming and provide better support to employers in order to facilitate them to perform their duties. There are a number of employment measures that governments impose on business to support job retention and new hiring of sick workers. These measures include employment quota, anti-discrimination legislations and regulations which are strong financial incentives to retain employees but evidence suggests that these measures can also act negatively for hiring new employees with health problems.

Employers may shy away from hiring new workers with health problems due to the imposed sanctions and regulations and might think it's safer not to go on that route (OECD, 2010a).

Countries are now moving towards wage subsidies and accommodation subsidies to provide financial incentives to employers. Wage subsidy helps employers in sharing the cost of hiring an employee with health problems while accommodation subsidy shares the cost associated with making accommodations at the workplace for the employee. However, the accommodation subsidy is too often focused on reimbursing the direct costs rather than focusing on training

measures and on job assistance. The downside of wage subsidy is that it has the potential to create deadweight: i.e. if it is easy to claim this subsidy by an employer, he would do it for every disabled worker he hires. In order to avoid this, Finland has imposed very strict laws in terms of giving out this subsidy: i.e. if an employer can hire someone without this subsidy, then the employer will not be entitled to the subsidy (OECD 2010a).

Although the two subsidies have their own advantages and downsides, the main challenge for policy makers is to make this scheme known to employers. Employers who are aware of this scheme find it too time consuming to apply due to the cumbersome nature of the application. To overcome this problem, several countries have tried to adopt different measures to help employers find this information effortlessly: e.g. in Norway, employers have a personal contact officer who will provide them with necessary details and information. In Australia, this information is made available online for claims processes and other practical ideas and solutions for workplace modification along with a free telephone service and an internet website (OECD, 2006, 2007, 2010a).

Employers can play a key role in reducing and preventing long term sickness absences and managing sick workers over a longer period of time. This should be backed by financial incentives and supports for employers so that they can fulfill their responsibilities and help public entities in achieving their goals. (OECD, 2006, 2010a)

Sharing information amongst employers

Employer networks are helpful for employers who can hire a worker with disabilities based on another employer's feedback. United Kingdom Employers' Forum on Disability (a charity organization funded by voluntary contributions from its members) collects and shares information from its members which are mainly private companies and produces relevant

publications and guidebooks for employers on managing sick workers. These networks have mushroomed in countries where there are strict restrictions regarding dismissal of sick workers (e.g. in Netherlands where employers are required to pay sick benefits for two years during which dismissal is impossible as per government regulations). In Sweden, employer networks have grown tremendously since employers are now responsible by law to look for alternative job options in their own company or some other company for a worker who has been sick for over three months. Employers are more willing to hire a sick worker from another company who can fulfill their job criteria with the possibility of deploying their own sick worker who may develop problems in the future (OECD 2010a).

Role of Medical Professionals

Medical professionals play an important role in assessing a person's health and making a decision whether an individual should be detached from workplace and claim benefits. This decision made by medical professionals is critical since it allows an individual to stay out of labor market for an extended duration which consequently leads to disability benefits and permanently out of labor market. Some medical professionals find it imperative for patients to stay at home in order to recover, however often medical professional base their decisions on the self-reported symptoms of the patients. According to a report commissioned by the Department for Work and Pensions, work is generally good for health especially for mental health (OECD 2010a). However, doctors sometimes may unintentionally authorize more sick leaves than what is actually required for the worker. Recognizing this issue that keeping workers detached from labor market for longer periods of time is detrimental for the worker and for the economy, OECD countries are now taking active steps to overcome this problem.

OECD countries are now reducing the power of medical assessment for disability benefit and increasing powers vested with benefit granting agencies. Switzerland is a good example in this case. Whereas Switzerland relied heavily on doctors' assessment in qualifying applicants for disability benefits, it has now introduced regional medical services of the disability insurance which has resulted in more homogenous medical assessment and a decrease in the disability beneficiaries. Many other countries have developed ways to monitor sickness absences. In Spain, the National Social Security Institute's mandate is to monitor and reevaluate sickness cases; this is done with the help of hundreds of doctors who are solely responsible to perform this job. Public entities provide them with detailed information on the employee, employer, cause of absence and full medical history. Luxembourg is another example of attempts to monitor sickness, where a formal procedure takes place as soon as a person is absent for six weeks within the last sixteen weeks. The social security institutions with the help of information provided by the medical professional makes an evaluation on the health of the person which can also lead to the termination of the sickness benefit. In Denmark, public entities will follow up every four weeks if the person is declared at risk of long term illness. In Ireland, a sick worker has to renew the sick leave every week (OECD 2009)

Another way to manage and avoid unnecessary extended sick leaves is to have pre-defined medical procedures for doctors. In Norway, doctors are required to grant sickness certificate based on sufficient medical grounds and after six weeks of absence a detailed report must be sent to the insurance company. In the event a doctor fails to send the extended medical certificate, the GP can lose his or her entitlement to issue medical certificates. Similar practice is followed by Luxembourg where doctors are required to fill in a special form to Administration of Medical Control after six weeks of absence in the last sixteen weeks. The information given in the form

allows the administration to evaluate the reason for absences. If the form is not submitted within four weeks, benefit payments tend to stop (OECD 2006, 2010a).

Many OECD countries are now recognizing the importance of medical professionals, along with providing right services at the right time. For medical professionals, medical guidelines and clearly laid out procedures are essential, this will help GPs in minimizing the sickness absence to the required length of time while also helping the patients understand that working is better for them instead of a continued sick leave.

Conclusion

Countries are now making every effort to understand the negative effect of the disability benefits and trying to limit the granting of disability benefits where it is not needed. In many countries, the focus now is more on the remaining work capacity and aggressive support on job search activities to get people back into the labor market reducing their dependency on the disability benefits. Many countries have started to realize the role that employers and medical professionals can play in preventing and monitoring sickness absences to avoid long term labor market exit of their workers. Below is the summary of major policy reforms and best practices (Table 3) adopted by different OECD countries to prevent people with health conditions from exiting the labor market and reducing the cost of disability benefits.

Table 3: Summary of policy reforms adopted by OECD countries:

Australia	Job search support, temporary benefits available, Automatic Reinstatement, outcome based funding, online information available for different subsidies provided by the government
Austria	Vocational rehabilitation, temporary benefits available, sickness benefits paid by the employer
Canada	Vocational Rehabilitation, Automatic Reinstatement,
Czech Republic	Partial benefits are given
Denmark	Focus on remaining work capacity, Vocational Rehabilitation, in work payments through flex jobs, temporary benefits available, Automatic Reinstatement, evaluating labor market programs, managing sickness absences
Finland	Partial benefits are given, temporary benefits available, Automatic Reinstatement, occupational health services through employer engagement, offering wage subsidy to employers
France	Partial benefits are given, temporary benefits available
Germany	Vocational Rehabilitation, Partial benefits are given, offering single working age benefits, temporary benefits available, sickness benefits paid by the employer
Greece	Partial benefits are given, temporary benefits available
Hungary	Vocational Rehabilitation, Partial benefits are given, temporary benefits available

Ireland	Managing sickness absences
Italy	Temporary benefits available, sickness benefits paid by the employer
Korea	Partial benefits are given
Luxembourg	Vocational Rehabilitation, Partial benefits are given, job search support, temporary benefits available, managing sickness absences, sickness benefits paid by the employer, engaging medical professionals
Mexico	Temporary benefits available
Netherlands	Focus on remaining work capacity, Partial benefits are given, in work payments in the form of wage supplement, job search support, temporary benefits available, managing sickness absences, sickness benefits paid by the employer, employer networks for sharing information
New Zealand	temporary benefits available
Norway	Partial benefits are given, offering single working age benefits, temporary benefits available with conditions, Automatic Reinstatement, one-stop-shop services, information available for different subsidies provided by the government, pre-defined medical procedures for doctors,
Poland	Partial benefits are given, temporary benefits available
Portugal	Partial benefits are given
Slovak Republic	Temporary benefits available
Spain	Partial benefits are given, temporary benefits available, managing sickness absences
Sweden	Focus on remaining work capacity through “rehabilitation chain”, Partial

	benefits are given, Automatic Reinstatement, occupational health services through employer engagement, employer networks for sharing information
Switzerland	Vocational Rehabilitation, Partial benefits are given, evaluating labor market programs, introduction of regional medical centres
United Kingdom	Vocational Rehabilitation through introducing “Pathways-to Work”, Offering single working age benefits, temporary benefits available, one-stop-shop services, outcome based funding, sickness benefits paid by the employer, employer networks for sharing information
United States	Temporary benefits available, Automatic Reinstatement

Policy Recommendations

Canada's effort towards disability benefit schemes have been fragmented rather than coordinated which is understandable considering that Canada has a very complex system. Demarcation problems between federal and provincial authorities are usually publicized as the main reason for Canada's uncoordinated efforts towards employment and benefit support. However, the problem for Canada is much bigger than federal and provincial government; it also requires coordinated efforts amongst public and private sectors, which both play an important role in providing disability benefits. There are no public platforms available where all these players can meet together on a regular basis. Also there is a scarcity of publicly available disability program evaluation and data; hence there is no way to learn from good or bad practices. The problems arising from the fragmented system is that policy making is done in silos and there is no coordination between provincial and federal governments which results in overlapping benefits and increasing costs. Instead of having a client-focused system, it becomes a system that has a range of benefits and services that are challenging for clients to access and navigate (OECD 2010b).

Although it is challenging to have a coordinated system, the federal government can explore possibilities of coordination between federal and provincial governments through small scale pilot projects, allowing provincial authorities to administer CPPD schemes and monitor the outcomes to compare with the system that are handled on a federal level. While administration can be transferred to provincial authorities, making provincial authorities more empowered, the ultimate responsibility for benefit granting should be with Service Canada. Once this pilot project becomes successful and administration is done properly on a provincial level, eventually all employment policy making and benefit delivery could be conducted at the provincial level.

Evaluation and monitoring of the program

Once provinces are involved in administering and delivering benefits, a jointly agreed standard (or benchmark) should be made and publicized. Enough resources should be dedicated in continuously monitoring the outcomes and results on the performance of the program and a depository for good practices should be established which should be readily available to all provinces and federal government. There should be regular and ongoing forums between federal and provincial governments where best practices and lessons learnt should be discussed and areas of improvement identified. At these cross functional forums, policy makers from the public entities along with private insurers should also be invited so that an ongoing forum is available for open discussion (OECD 2010b).

One-stop-shop Model

The federal government should explore the option of delivering benefits and employment supports with access to all federal and provincial programs through one-stop-shop solution. This could be done in numerous ways; one way is to make provinces the first entry door for employment and benefit support or to make one-stop-shop solution under a joint provincial/federal premise. This will help in accessing client information (with client's permission) and will reduce the overlapping administrative work which is currently done by individual agencies. Employment Insurance (EI) is one good example in this case; both federal and provincial authorities have EI responsibility since federal government is responsible for employment insurance sickness benefits and provincial authorities are responsible for employment support. Although persons with disabilities are not always eligible for employment insurance, they would still require employment support in cases of reduced partial earning capacity, therefore it is more fruitful to work together and have common clients.

To make one-stop-shop model work, coordinated efforts should be made to have a systematic referral of clients which should include transfer of relevant information about the clients (i.e. the clients' work history, nature of disability, work capacity, etc.) (OECD 2010b).

Access to Employment Support Programs

A comprehensive system should be adopted to grant access to all employment services to people in need of support regardless of whether they receive a benefit or not. This is already followed in British Columbia and this policy should also be adopted across the country. Labor market programs should be made accessible to people with health conditions and these should be reached out more proactively to people who could benefit from these programs. Information to clients about available programs should be publicized so that people with health conditions are well aware of their opportunities. Government entities should set ambitious targets for persons with health conditions which can help in shifting the mindset of these people from taking advantage of welfare support to taking advantage of employment support. Once the targets are set, these targets should be monitored. This is already implemented in British Columbia and Quebec (OECD 2010b).

Mandatory participation requirement

Although client's motivation in joining the labor force is a critical factor, introducing mandatory requirement of job search activities for clients is effective as in the case of most OECD countries. This should be undertaken progressively and with strong support. One good example in this case would be U.K's Pathways-to-Work process which requires clients to take part in set interviews at set dates. During these interviews, the case worker will talk about client's short to long term career objectives. The initial step to establishing participation in mandatory interview requirements can shift the mindset of the client from welfare dependency to his remaining work

capacity. The interviews can be followed by a broadened assessment of what the clients can do and provide employment opportunities by appropriately matching work requirements with clients remaining capacity. Best practices can be learnt from Australia and Netherlands which use multidimensional assessment framework for assessing clients. Government can also impose obligations on beneficiaries to be involved in job searching activities as a requirement of benefit entitlement to increase their chances of employability. This should be monitored by the case worker on a regular basis (OECD, 2007, 2010b).

Early Intervention- Right Services at the right time

It is imperative to identify early sickness before it turns into permanent disability. With the increase in duration of being out of work for a person with health conditions, the chances of that person exiting labor market increases as well. It is necessary to introduce systematic ways to intervene at the right time and offer right services to avoid beneficiaries leaving the labor force. It is important for the Canadian government to introduce ways to manage absence monitoring which should include a requirement for repeated sickness certificates and constant follow up for people in case of repeated absences or for being absent for a certain period of time.

The first gateway for clients is to access Employment Insurance Sickness Benefit (EI-SB) when they develop health problems. It is therefore recommended to link EI-SB to the CPPD program which should include sharing of client's information and EI-SB absence monitoring procedure. It is also recommended to explore involving CPPD nurses of Service Canada who are responsible to deliver both EI-SB and CPPD programs.

Vocational rehabilitation program should be developed at an early stage of the application time. By providing proper medical facility and vocational rehabilitation, the beneficiary has more chances to recover quickly and enter the labor force as compared to intervening when the benefits have already been approved and the beneficiary is out of work for a long period of time. It is also worthwhile to explore offering vocational rehabilitation to denied CPPD claimants, this group of people might not be receiving any kind of benefit but involving them in rehabilitation can increase their likelihood of joining the labor force. This can shift the mindset of the claimants on what they can actually do despite their health condition. The government should provide better internship and apprenticeship programs to improve soft and social skills and provide better support from education into work for youth at risk (OECD 2010b).

Employers' Role

In Canada, in times of regular sickness absence, employers do not have a role. Unless it is related to work injury, which is covered by provincial workers' compensation, employers are not responsible for the employees in their regular sickness absence. In the case of many OECD countries, employers play a major role in monitoring sickness absences. It is also recommended to involve employers in providing private long-term disability benefit plans (LTD) to the employees. This would incentivize employers in preventing long term sickness absences that would curb the problem of permanent detachment from the labor market. Employers and insurers should be connected so that they can discuss disability management issues similar to what is available in workers compensation scheme. Employers and insurers should also explore the option of promoting higher LTD coverage which will improve the quality of the plans in terms of avoiding long term labor market exits and do a pilot testing to find out the impact of making LTD plans mandatory for all workers. (OECD 2010b)

Outcome-based funding

Historically, disability employment services in Canada were funded via block grants to established non-profit providers who had the autonomy to use public funds and had an impact on the policy development. Recently, in some provinces of Canada, it has started to fund providers in line with output and in some cases (employment) outcomes. Canada is on the right track but can go a step further by continuing the move from output- to outcome-based funding of services across the country. Where this approach has been established, emphasis needs to be on long term employment, job retention, job support, follow ups and constant monitoring of employees with health problems. (OECD 2010b).

Conclusion

Canada shares similar problems with other OECD countries including low rates of employment amongst disabled people, increasing cost of disability benefits and increasing number of benefit recipients. At the same time, many working age adults are denied the opportunity to work despite their remaining work capacity and willingness to work. Canada is now focusing more on the effectiveness and efficiency of its policies for people with disabilities. Some of the policy reforms discussed above include better coordination of federal and provincial programmes, better accessibility of services and supports, building on a one-stop-shop approach and systematic early identification and intervention including a stronger role of employers to prevent labor market detachment. These policy reforms can help Canada prevent people on becoming welfare dependent thus reducing the overall cost of disability benefits and facilitating people with health conditions to better integrate in the labor market.

Conclusion

Looking at the rate of unemployment amongst people with health conditions and the rise in the number of disability caseload in Canada suggests that keeping people attached to the labor market is an effective strategy in reducing the cost of the disability program while also making sure that there is no shortage of manpower in the labor force. Keeping this in mind, this paper has explored the following research question:

“Can Canada Pension Plan Disability Benefit program have better return-to-work incentives for full labor market integration of beneficiaries, reducing the cost of the program?”

In a confederation like Canada, the disability benefit system makes it difficult for people to get access to employment support at the right time and tends to keep them detached from work for a long time. The longer an individual stays out of the labor force, the higher are the chances of this individual losing his confidence and work readiness.

Canada needs to undertake a systematic approach to overcome the problems that keeps people with health conditions detached from work. It needs to adopt an employment-oriented disability policy. The paper concludes by suggesting policy recommendations for Canada, which includes better coordination of federal and provincial programs and monitoring/evaluation of the employment support program. Currently, due to the separation of power between federal and provincial government, there is little or no sharing of information. This makes it difficult to evaluate any employment support programs. There is no benchmark against which each program can be evaluated and no yardstick which can tell what is working and what is not. It would also be useful to make employers responsible for managing sickness absences for workers since they are the first ones to know about the employee's situation. It is also recommended to connect

employers with private insurers so that private plans can include effective disability management policy including early follow ups of disabled people.

The problem with the number of programs run by federal and provincial governments is that they are developed in silos. One way to overcome this problem is to adopt the one-stop-shop model, which makes it easier and less confusing for clients. This one- stop- shop model can act on behalf of both entities recommending an optimum package to be developed for disabled people.

It is also important to make job search activities mandatory for people with health conditions in order to increase their likelihood of finding employment. Another element that could help in preventing labor market detachment is early identification of health problems and public authorities intervening at the right time in order to assess problems and provide the right solution.

Keeping people attached to the labor market is a core strategy for reducing the cost of disability benefits but complexities of the Canadian system makes it difficult for people to access and finding support can take a while by which time people with health conditions are invariably detached from work. The longer someone is out of work, the more disabled they become. The above policy recommendations can help Canada prevent welfare dependency and help people return to the labor market, making it a win-win situation for Canada and for Canadian people with disabilities.

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