

## Note

### Forging Linkages: Modifying Disability Benefit Programs to Encourage Employment

Book Review

by L. Scott Muller\*

Disability programs vary from country to country. Some countries provide benefits for partial disability and for sickness or short-term disability, while others limit benefits to individuals permanently and totally disabled. Rehabilitation International<sup>1</sup> recently published a collection of essays on the disability programs in five European countries (Belgium, France, the Netherlands, the Federal Republic of Germany, and Sweden) and Israel and the efforts of these countries to encourage the return to work. Each essay contains an overview of the country's benefit and vocational rehabilitation (VR) programs and employment efforts. The reader will note a common thread among most of these countries' programs.

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<sup>1</sup> **Forging Linkages: Modifying Disability Benefit Programs to Encourage Employment**, Monroe Berkowitz (editor), Rehabilitation International, New York, 1990. This publication is an outgrowth of the study "Innovative International Approaches to Enhance the Employment Opportunities of Social Security Administration Disability Beneficiaries," funded by SSA research grant number 12-D-70281 awarded to Rehabilitation International in October 1987. The essay entitled "The ERTOMIS Assessment Method: An Innovative Job Placement Strategy," which provides an overview of a job matching strategy for the disabled based on individual abilities and job requirements, is not summarized in this review.

Whereas the disability programs in the United States generally attempt to accomplish reemployment by offering individuals incentives to return to work (increasing labor supply), most of the countries studied provide incentives to employers to hire the disabled (increasing labor demand).<sup>2</sup>

### Belgium

The workforce in Belgium is covered by a compulsory sickness and invalidity program administered through insurance carriers. A separate work injury program, financed partially through private insurance companies and partially through a payroll tax, pays a benefit for partial disability. Benefits from the work injury program are equal to the worker's earnings times the percentage of disability. Individuals may stay on the sickness rolls up to 1 year and then may be eligible to move to the invalidity program (although this program does not pay benefits for partial disability). The

<sup>2</sup> The United States has provided some limited employer (demand side) incentives using the tax code. The Targeted Jobs Tax Credit, for example, instituted in 1979, provides for an employer tax credit of 40 percent of the first \$6,000 of the first-year wages payable to new hires from certain targeted groups. The targeted groups include disabled individuals undergoing vocational rehabilitation and individuals receiving Supplemental Security Income payments. The Targeted Jobs Tax Credit is scheduled to expire on September 30, 1990.

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invalidity program allows beneficiaries to work and receive benefits, although the combined income is limited. Rehabilitation services are available to individuals with a physical disability exceeding 30 percent or a mental disability exceeding 20 percent.

The thrust of reemployment in Belgium is away from sheltered work and towards placement in competitive employment. Incentives for employers to hire the disabled include an employment quota and wage subsidies. The two wage subsidies are a limited short-term subsidy and a longer-term wage subsidy that compensates for the difference between the productivity of the individual and the prevailing minimum wage in the industry.

The special apprenticeship contract program is a successful innovation in reemployment of the disabled in Belgium. A contract is negotiated between a private employer and the government. The employer is the source of training for a specific job opening and the government pays the apprentice's wages and benefits during the contracted training period.

## France

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France has a number of separate programs for compensating and/or rehabilitating the disabled. The program for disabled war veterans offers compensation and special work opportunities. France also has two social security programs that are administered by the Sickness Insurance Agency and are available to individuals with a work history. One program is for work accidents and occupational disabilities, the other is for non-work-related causes. Each pays cash benefits and provides access to VR services. A

program for handicapped individuals not eligible for these two programs provides a guaranteed minimum income and access to VR services.

France also provides for the obligatory employment of the disabled. Begun as an effort to reemploy disabled veterans, the program has undergone change. Public and private firms (with more than 20 employees) must meet an employment quota under which the disabled constitute a minimum percentage of the workforce. The quotas are not rigid and can be met in a number of ways.

Incentives, or considerations, for participation in the obligatory employment program include: Government aid to defray the costs of adapting the workplace and subsidies to help pay for additional supervision that may be required. Firms may pay less than the prevailing wage for fully productive persons, in which case some or all of the wage differential is made up by the government. Social security funds are available for retraining.

The obligatory employment program in France has had limited success. High unemployment has made it difficult to meet program goals. Quotas were lowered from 10 percent to 3 percent, but are scheduled to rise to 6 percent in 1991. Openings for training have been seriously limited and waiting periods of up to 1 year are not uncommon.

## Federal Republic of Germany

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The Federal Republic of Germany maintains separate disability programs for work-related accidents, sickness (short term, up to 18 months), and long-term disability. The long-term disability program is divided into programs for partial and total disabilities. The system is based

on the concept of "rehabilitation before compensation." To achieve that goal, the system offers:

- Early identification and tracking of disability;
- Special return to work programs;
- Education and employment of the medical community and workforce to reintegrate the disabled into the workplace; and
- Incentives for the disabled to return to work.

The key to the German system is physician involvement, both early in the process and throughout the rehabilitation process. Evaluation for medical and vocational services occurs after the receipt of sickness benefits for 6 weeks. Medical services are considered primary, with VR services available if warranted. After 18 months on the sickness rolls, if disability persists, application can be made for a disability pension. The long-term pension becomes permanent if two medical reviews, each after a 3-year period, fail to show improvement.

The process promoting the return to work has several components. Occupational retraining may take up to 2 years and includes assessment, retraining (including formal education), job placement assistance, and provisions for support services. Stepwise reintegration into the labor force allows the individual to gradually regain the ability to work while maintaining a pension. The fact that pension benefits are based on lost earnings capacity, and may be time limited, encourages the return to the labor force.

## Netherlands

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In the Netherlands, workers who are injured or ill, and unable to do their job as a result, are eligible for

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sickness benefits for up to 1 year. After a year, they may seek disability benefits; however, eligibility for this program is predicated on the inability to perform "suitable" work, rather than previous work, as is permitted under the sickness program. Partial disability benefits are also available for incapacity in excess of 15 percent. Another program provides benefits to other disabled persons (nonworkers) with a disability rating in excess of 25 percent. All three programs are administered by the trade associations—groups composed of employers and employees.

In 1987, a major change to the disability system in the Netherlands focused the program on the return to work. Basically, the disability rating became solely a function of a medical assessment of residual functional capacity, disregarding the actual employment situation of the disabled. An unemployed individual with an impairment no longer receives a de facto disability rating of 100 percent, thereby allowing the disability assessment to become a tool to encourage the return to work.

A team composed of a physician and "labor expert" makes the disability assessment and is also responsible for structuring rehabilitation services and for job placement. The rehabilitation process begins with early intervention. Individuals out of work for 6 months are reported by the trade association for assessment. If the worker is judged able to return to work, a reinstatement plan is developed to ease the worker back into the old job or job placement efforts are begun. Rehabilitation services are also offered as a way to increase employability.

To assure employment opportunities, the Netherlands has a

quota system in which employers must employ the disabled at a fixed percentage of their workforce (varying by employer, 3–7 percent). A number of incentives encourage employers to participate in the return to work effort. Financial penalties are assessed firms not meeting the quota whereas reimbursements may be offered to those exceeding their quota; wage subsidies may be paid to the employer for up to 2 years; wage exemptions may be allowed, based on productivity, so that the disabled may be paid less than their able-bodied counterparts; and penalties may be assessed employers who do not hire back their disabled employees. Financial penalties may also be assessed to disabled individuals who fail to cooperate in attempts to assist a return to work.

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## Sweden

Sweden offers a dual system composed of a short-term sickness program and a longer-term disability program. Benefits under the sickness program provide 90 percent compensation for earnings lost due to sickness or injury and are payable from the second day of absence. The sickness program covers workers aged 16–64 who have a 50-percent work capacity reduction. The number of days one may collect sickness benefits is unlimited, but where rehabilitation is unlikely conversion is usually made to a disability pension. The disability pension may be awarded on a temporary or permanent basis, depending on prognosis, and pays smaller benefits than the sickness program. Older workers (aged 60 or older) may be eligible for a disability pension solely for labor market reasons.

Early intervention for rehabilitation

services begins after 70 consecutive days of job absence or after 9 absences in a 12-month period. Cases are screened and assessed to determine needs for medical and rehabilitation services. Decisions are made on the basis of national welfare as opposed to the economics of the firm. The social costs of the loss of productive potential and the redistribution of income from the productive to the inactive, but potentially employable, are weighed against the cost of services. Such a test, however, would still exclude from services the most severely disabled.

To include employers in the rehabilitation process, Sweden shares the cost of accident and illness prevention, provides partial reimbursement for assistance of the disabled in the work environment, and provides reimbursement for medical treatments and other assistance towards rehabilitation in the workplace.

Sweden has been experimenting with more effective means of reducing lost worktime and encouraging more, and earlier, return to work. For example, the Trelleborg Experiment (discussed in this book) involves earlier intervention (15–30 days, rather than 70 days) and a somewhat different case management approach.

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## Israel

Israel provides a disability pension for temporary or permanent partial or total disabilities. To be eligible for a pension one must be at least 40 percent medically disabled and 50 percent functionally disabled. Attempts are made to provide rehabilitation services to all pensioners. Rehabilitation services are also available to individuals with a 20–40 percent medical disability, although they are not eligible for a pension.

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The initiative in the rehabilitation process lies with the rehabilitation officer, not the client, and little problem is reported in getting the disabled involved in a rehabilitation program. Financial incentives are given for participation. The rehabilitation officer is part of the team making the disability decision and rating the disability. Assessing a disability as temporary or partial is aimed at avoiding the "disability mindset" and providing an extra incentive towards a successful rehabilitation.

Rehabilitation officers use a case-manager approach and are essentially counselors who employ individual counseling techniques. The rehabilitation officers have access to a wide range of rehabilitation services and follow the case from

assessment to placement, providing followup services after placement. Their services include accessing occupational opportunities for the individual and determining how these opportunities fit with the client's own ambitions and goals. The officers arrange payment during the training period and maintain contact with both the employee and employer. Although competitive employment is preferred, after two unsuccessful job placements, sheltered work may be considered. It is reported that Israel has a 50-percent success rate in returning rehabilitants to competitive employment.