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ANALYTICAL PAPER

DISABILITY AND LABOUR MARKET INTEGRATION

MAY 2016

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ANALYTICAL PAPER

DISABILITY AND LABOUR MARKET INTEGRATION

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1. BACKGROUND AND INTRODUCTION TO THE PAPER[1]

In Europe today, a large share of the population suffers from a disability and consequently many people continue to be excluded from the labour market; this exclusion can mean that people are either held back from accessing a job or they experience difficulties in finding and retaining a job. Moreover, the number of people who suffer from a disability that constrains their ability to work, exceeds the number of jobseekers in most EU Member States (Eurostat 2011).[2] Although there is some evidence that the prevalence of health problems improved (or at least stagnated) in most EU Member States until 2008, this trend turned during the global financial crisis,[3] and in several Member States, the recent rise was especially marked among youth (OECD 2015).[4]

Disability exists on a continuum, ranging from minor to severe and multiple disabilities. In particular, Eurostat data shows that severe disabilities affect only a small share of the working age population. About 72 % of people with disabilities do not have a severe limitation in daily activities due to a health problem and about 75 % do not need assistance in their daily activities.[5] In this this paper the focus will be on the large majority of the population with disabilities who are capable of working in the open labour market and can potentially benefit from PES services.[6]

Against this background, this paper aims to review recent policy initiatives supporting the labour market integration of people with a disability, focusing on measures implemented by public employment services (PES). It builds on a previous paper produced under the European Commission's PES to PES Dialogue programme that explored the causes of and possible solutions to the rising incidence of disability (EC 2013).

The next section summarises the main trends regarding the labour market situation of people with disabilities across the EU. Thereafter, Section 3 briefly outlines the broader policy framework and Section 4 describes policy measures that have been proven effective in increasing the employment rate of jobseekers with disabilities. Most of the measures presented come from Austria, Denmark, Hungary, the Netherlands and the UK, where significant policy reforms have taken place in the past decade. We selected examples that represent the main types of integration measures, which have also been evaluated by a counterfactual method. Section 4 concludes with a summary of the findings and some key recommendations for PES in supporting the labour market integration of people with disabilities.

1 Excellent research assistance by Adrienn Győry, Tamás Molnár and Anna Orosz is gratefully acknowledged.

2 The exceptions include Greece, Spain, Ireland and Latvia, according to the Eurostat survey of 2011 (comparing the [hlth_dlm040] and [une_nb_a] indicators of Eurostat online).

3 Based on the time series of the EU European Union Statistics on Income and Living Conditions (SILC) indicator, "People having a long-standing illness or health problem, by sex, age and labour status" [hlth_silc_04].

4 In some countries (e.g. Bulgaria, Germany, Greece, Spain, and Sweden), the rising incidence of health problems among youth is a relatively recent phenomenon, while in other countries, a rising trend has been observed since 2005 (e.g. increased for example Austria, France, Malta, or Portugal) (Data from EU SILC, hlth_silc_04).

5 Eurostat online indicators [hlth_silc_06] and [hlth_dpeh130], age 15/16-64, self-reported disability, based on the SILC survey of 2012.

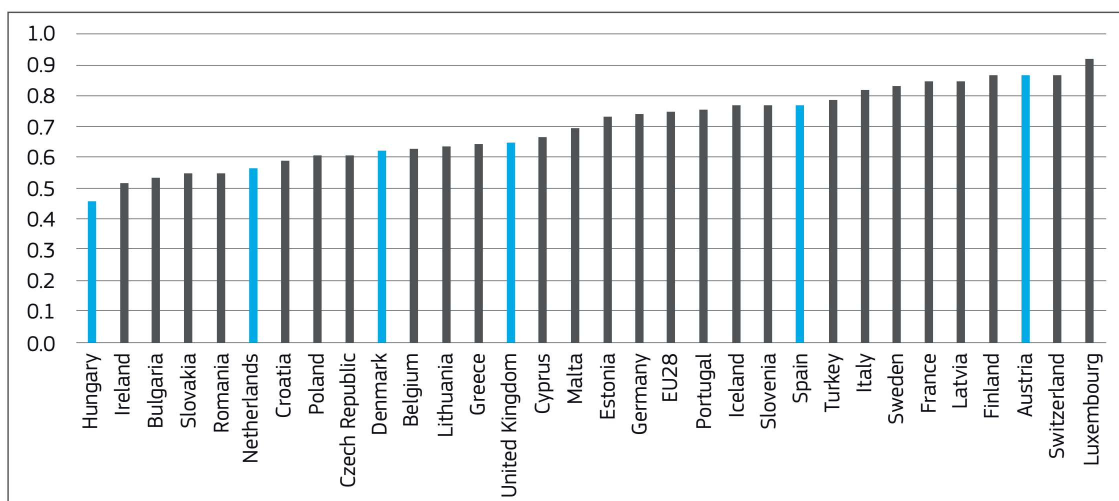
6 It should be noted that national regulations vary considerably: in some MS disability benefit recipients are obliged to cooperate with the PES (or another authority) in others there is no such obligation. In some countries all in need can access PES services and ALMP, while in others this is tied to benefit receipt.

2. CURRENT LABOUR MARKET SITUATION OF PEOPLE WITH DISABILITIES

The employment rate of people with disabilities is significantly lower than those without. As Figure 1 below shows, the employment gap of this group[7] ranges between 0.46 and 0.91 in the prime age population. People with disabilities face more difficulty in finding employment and are therefore more likely to become long-term unemployed or inactive (Eurostat 2015). While most of them are able to work, they often need additional support and the coordinated provision of employment, health and welfare services to be able to return to the labour market.

changes in labour supply and labour demand appear more influential than demographic factors.[8] For example, the sudden rise of disability benefit expenditure in the 1970s and 1990s was itself a response to changes in the labour market and welfare systems. The underlying cause was a decline and structural shift in labour demand towards skilled workers and a subsequent rise in long-term unemployment. More recently, as governments have curbed spending on unemployment benefits, disability benefits have become a benefit of last resort for the long-term unemployed or inactive population (EC 2013).

Figure 1: Employment gap of people with disabilities in the population aged 20-54 in 2011



Source: LFS 2011 ad hoc survey. Ratio of the employment rate of people with and without disabilities. The ratio equals 1 if people with disabilities have the same employment rate as those without. Note that the countries covered in this paper are marked in light blue.

The differences in health status only have a small role in explaining cross-country variation in the level or time trend in the incidence of disability claims. The impact of the business cycle also appears to be small, although there is some evidence that disability benefit claims increase during recessions (OECD 2010). In most countries, structural

The employment gap between people with disabilities and those without is determined by demographic and economic factors, as well as national welfare policies, but with no definitive empirical evidence on their relative strength. An OECD study

7 This is the ratio of the employment rate of people with disabilities to the employment rate of people without.

8 As opposed to transitory effects of the business cycle, structural changes may affect the equilibrium level of supply or demand, e.g. permanently reduce demand for low-skilled workers.

shows that the impact of the business cycle on the employment gap is small compared to the effect of disability itself (OECD 2010).[9] This suggests that the above-mentioned structural shifts in labour demand and the employment-friendly design of disability policies are likely to have a stronger impact (OECD 2010).

This lack of clarity on the causes is partly due to the lack of reliable and comparable data on people with a disability. Across Europe, the share of people with disabilities varies between 5 % and 24 % of the working age population; this relatively wide range is likely to reflect medical practices, perceptions and institutional features, as well as health conditions (EC 2013; Jones 2016).[10] A further difficulty in explaining the gap is that demand for workers with disabilities is determined by the perceived productivity of such employees and possibly also by discrimination (Jones 2006; Ward and Grammenos 2007; Baldwin and Choe 2014). While some of the employment gap can be clearly attributed to the lower educational attainment of the population with disabilities (Eurostat 2015, Jones 2016), the remaining gap is difficult to account for as the underlying causes cannot be directly measured.

3. POLICY FRAMEWORK FOR THE LABOUR MARKET INTEGRATION OF PEOPLE WITH DISABILITIES

This chapter briefly reviews the broader policy framework and its recent changes, which determine the direction of developments for PES services and measures provided for jobseekers with disabilities.

3.1 Types of policies supporting labour market integration

Policies promoting the labour market integration of people with disabilities may focus on the demand or the supply side. The former include anti-discrimination legislation, awareness-raising campaigns, employment quotas, wage subsidies and services for employers. Supply-side interventions may range from healthcare reforms, improvement of prevention and rehabilitation, regulation of the level and conditions of disability benefits, changes in public education with an aim to improve access and quality, through to training programmes and the integration of services. Active labour market policies (ALMPs) offered to jobseekers with disabilities may include mainstream programmes with or without additional support to overcome their disability and programmes tailored to their specific needs, such as vocational rehabilitation, supported employment, targeted wage subsidies or sheltered employment. Well-designed disability policies can significantly increase the labour market integration of people with disabilities and PES – as the main provider of labour market services and the prime contractor of ALMPs – have an important role to play in implementing them.

3.2 Recent policy developments

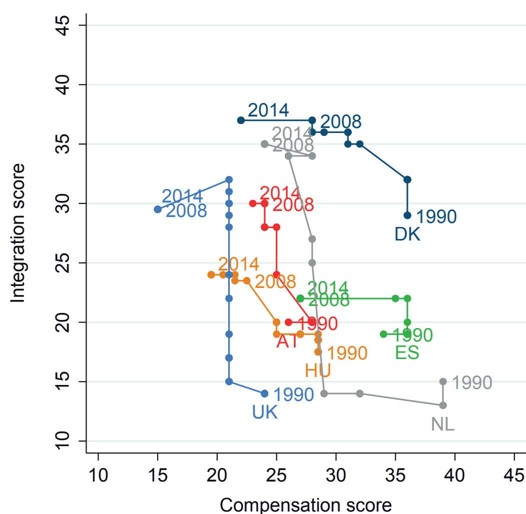
As summarised by EC (2013), effective disability policy needs to tackle all the stages of entering and exiting the labour market, and at all of these stages, measures need to ensure early and well targeted access to high-quality rehabilitation services, while targeting cash transfers on those in genuine need (rather than reducing levels of payments to those in need). In most Member States, the existing policy framework is a considerable distance

9 A 1 %-point rise in the output gap (deviation from the potential output of the economy) lowers the employment rate of men with a disability by 1.1 %, while having a disability lowers the likelihood of employment by 19 % (OECD 2010: 32). The impact on women is roughly twice as large as for men. See also Meager and Higgins (2011).

10 The social perception of what constitutes a disability varies across time and cultures and may also be influenced by labour market status (Kreider and Pepper 2007). The eligibility conditions of disability benefits also vary considerably across time and between countries and this may also influence self-perceived disability (Banks et al. 2004).

from achieving this ideal. However, there is a distinct tendency in most Member States to improve the effectiveness of disability policies (Scharle, Váradi, and Samu 2015; OECD 2010). To visualise this tendency, OECD experts constructed two composite indicators measuring, on the one hand, the dominance of policies that encourage labour market integration, and on the other hand, the generosity and targeting of cash benefits.[11] By plotting the value of the two indicators for each year, one can produce a figure in which movement towards the upper left corner signals 'progress' in the sense that the changes lead to more employment-friendly policies, as recommended by the OECD. Figure 2 below shows the evolution of these two indicators in selected EU Member States between 1990 and 2014: in all countries there is a clear shift towards strengthening integration measures (moving upwards) and tightening access to disability benefits (moving towards the left).

Figure 2: Main trends in disability policies in selected countries, 1990-2014



Source: Using the indicator system developed by OECD (2010). For 1990-2007: OECD (2010), for 2008-2014: Boeheim and Leoni (2015) for Austria, Denmark, the Netherlands, and Spain, own calculations for Hungary and the UK.

The OECD study of 2010 noted the striking similarity of the trends in disability policies across welfare regime types, challenging earlier findings about the reform-resistance of Continental regimes (OECD, 2010; see Figure 6 below). On average, Social Democratic regimes (including the Nordic states, Germany and the Netherlands in their typology) moved faster than the others, i.e. the policy changes observed between 1990 and 2007 were larger in both the integration and the compensation dimension. Though somewhat slower, policy developments pointed in the same direction in both the Liberal (Anglo-Saxon countries, except Ireland) and the Corporatist (Continental Europe and Ireland) regimes.[12]

Figure 2 illustrates that, despite the common trend, there is considerable variation in the magnitude and pattern of change across countries. This variation to some extent reflects the broader institutional context, or the so-called welfare regime type.[13] Countries within the Social-Democratic regime (exemplified by Denmark and the Netherlands in Figure 2) appear to have made most progress in both dimensions: in terms of integration measures, Danish policies advanced from 29 to 37 points, while Dutch policies from 15 to 35 points. The generosity of compensation measures was also tightened considerably (from 39 to 24 in the Netherlands and 36 to 28 in Denmark) in both countries. Corporatist regimes tended to advance in compensation rather than in integration policies (as exemplified by Hungary and Spain, and less so by Austria). Lastly, the UK (which belongs to the Liberal type) focused more on integration than on compensation in the period between 1990 and 2008, given that their compensation policies were already rather parsimonious in 1990. This clear trend breaks in 2008, when UK policies turn to the further tightening of compensation measures, which is probably explained by fiscal austerity triggered by the global crisis.

11 The *Integration score* is a composite indicator of legal provisions to enhance labour market integration and access to rehabilitation services; while the *Compensation* score is a composite indicator of rules of access to and level of cash transfers. Both indicators are calculated as a sum of ten sub-indicators, which are measured on a scale of 0 to 5 (for a detailed explanation see OECD, 2010: 85). For the integration score, 50 points indicate highly developed and accessible rehabilitation services, while for the compensation score, 50 points indicate very generous provisions that are likely to reduce incentives to work.

12 This typology is based on clustering OECD countries against detailed indicators describing their disability policies as observed in 2007. Thus, this typology may not apply to the overall welfare system of any given country and may also change over time. However, the sorting of the countries mostly corresponds to the classic typology of Conservative-Corporatist, Liberal, and Social-Democratic regimes formed by Esping-Andersen (1990) on the basis of the main source of welfare provisions (insurance, the market and the state, respectively).

13 The first typology of welfare regimes proposed by Esping-Andersen (1990) distinguished the Conservative-Corporatist, the Liberal, and the Social-Democratic type, based on the main producer of welfare.

Though all countries have made some progress towards achieving employment-friendly policies, they differ considerably in the choice of particular measures in the period observed between 1990 and 2013 (Scharle et al 2015).[14] There are a few measures that have been applied by almost all countries, regardless of the institutional context. These include the tightening of sickness absence monitoring, limiting the permanence of benefit payments, introducing or tightening employer obligations (e.g. towards sick employees or the hiring of workers with disabilities) and the expansion of personalised rehabilitation services. The timing of vocational rehabilitation was also brought forward in most countries.

The use of some measures seems regime-specific (Scharle et al 2015). The combination of compulsory rehabilitation with significant investments in personalised reintegration services is mainly observed in Social Democratic countries, which have a long tradition of publicly supplied welfare services and activation. Liberal regimes tended to rely on the further tightening of benefit access combined with labour supply incentives for benefit recipients, with much less reliance on incentives for employers, which is consistent with a tradition of market-friendly interventions and low (or non-existent) minimum wages. By contrast, the popularity of wage subsidies in Corporatist regimes may reflect the need to win the support of employers in a system where social partners have a strong influence on government policy and where high minimum wages and labour taxation increases the risk of hiring potentially low-productivity workers with disabilities.

The observed policy shift also reflects the need for combining incentives of labour supply and demand. Shifting resources from cash transfers to services can generate strong incentives for labour supply, while also freeing up resources for the development of rehabilitation measures.[15] The potential effects on employment are larger if the supply side measures are combined with incentives for employers, for example, in the form of quotas, wage subsidies, or awareness-raising about discriminatory hiring practices.

It should also be noted that the global financial crisis may have halted or slowed down policy developments in some countries – in other words, there were no or few reforms between 2008 and 2014 that made disability policies more employment friendly. Disability benefit claims tend to increase during recessions (OECD, 2010) and, as recent statistics on benefit expenditures suggest, the global financial crisis has indeed put considerable pressure on social protection budgets. Spending on disability cash benefits increased in several Member States after 2008 (see Table A2 in the Appendix). Figure 2 suggests that the crisis did not favour policy efforts in promoting labour market integration either.

3.3 Role of public employment services

Disability policies involve several policy areas and institutions, starting from legislation on sick leave, disability benefits and pensions, through to preventive healthcare to quota systems and vocational rehabilitation. Few European countries have a comprehensive system of prevention and rehabilitation measures: most Member States provide legal protection against discrimination, many have introduced quotas to encourage the hiring of jobseekers with disabilities and several Member States have tightened access to disability pensions (EC 2013). But, with few exceptions, rehabilitation services have remained underdeveloped, underfunded or underused.[16] Preventive measures during sick-leave and incentives to reduce the number of days spent on sick leave pose a challenge, even in those countries where activation measures are otherwise well developed. This highlights the need for strengthening the capacities of the PES, which have a leading role in managing or providing rehabilitation services and engaging employers in this area (Table 1).[17]

14 Scharle et al (2015) examines the patterns of policy change in 21 countries, including the EU-15 (except France, Italy and Greece), the Visegrad 4, Slovenia, Norway, Switzerland, as well as Australia and New Zealand.

15 The limitations of partial reforms is illustrated by the experience of Norway, where benefits levels are generous and the employment gap between those with and without disabilities has remained large, despite highly developed rehabilitation services (Scharle and Váradi 2013).

16 While EU Member States spend between 0.1 and 17 % of their GDP on active labour market policies and PES services, funding for rehabilitation measures ranges between 0.00 (Latvia) and 0.58 % (Denmark) (Eurostat online). Table A1 in the Appendix shows that per capita spending on rehabilitation measures is very low, except in the Scandinavian countries, France, and Germany.

Table 1: Overview of the main types of ALMP targeting jobseekers with disabilities

	SHELTERED EMPLOYMENT	WAGE SUBSIDIES	VOCATIONAL REHABILITATION[18]	SUPPORTED EMPLOYMENT[19]
Typical provider	Public or non-profit companies	PES or tax authority	PES or non-governmental organisations (NGOs)	PES or NGOs
Main elements	Placement in a sheltered workshop, subsidy to employer and/or employee, on the job training	Subsidy to employer	Ability testing, case management, training, placement, work adjustment measures	Individualised vocational rehabilitation and job preparation (trials), job coaching and follow-up support
Target group	Severe disability	Less severe disability	Less severe disability	All levels of disability
Typical outcome	Stable but segregated employment, transition to open labour market is rare	Employment in the open labour market with subsidy	Employment in the open labour market with or without subsidy	Permanent employment in the open labour market

Source: EC (2013). See also Greve (2009) on sheltered employment.

Most Member States provide access to their regular PES services and measures to jobseekers with disabilities. Where specialised rehabilitation services are available, in most cases, these are also administered or signposted by the PES.[20] Delegating rehabilitation services to the PES may foster social integration (as it facilitates the meeting of jobseekers with and without disabilities), promote activation and labour market integration (since that is the main function of the PES) and is also likely to be more efficient as it avoids duplication in developing and providing services and maintaining vacancy databases.

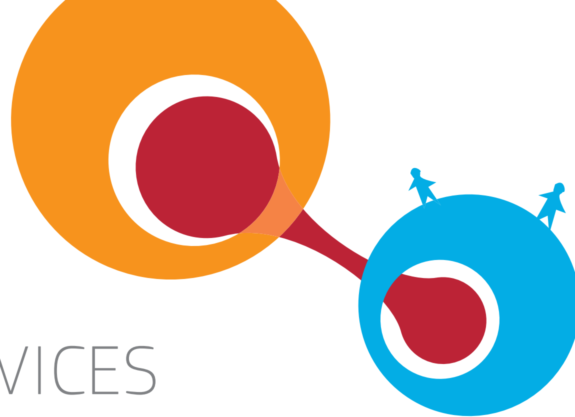
Most countries with an extensive rehabilitation system use one of two arrangements: Firstly, a *dedicated unit* within the PES provides services directly to jobseekers with disabilities (e.g. Denmark, France, Italy, Malta, or Sweden); and secondly, *specialised counsellors* refer such jobseekers to external service providers, mainly NGOs with a specialisation in the specific disability (e.g. Finland, Germany, Ireland, the Netherlands or the UK). In Finland, the PES have specialist counsellors, while in Germany and the Netherlands generalist counsellors receive additional training to prepare them for this task. In countries where rehabilitation measures are less developed and counsellors are not specialised, some PES offer at least diversity awareness courses for counsellors.

17 In some countries, benefit claims are evaluated by a team of experts including doctors and rehabilitation experts who can assess the claimants' potential for vocational rehabilitation. In some cases, these experts are delegated by the PES (as in the Netherlands and the UK) or can consult the PES (as in Hungary).

18 For a more detailed description, see, for example, the list on the website of the Vocational Rehabilitation Association UK.

19 For a more detailed description, see, for example, the best practice guidelines issued by the UK Government (2011) or the toolkit of the European Commission and EUSE (2010).

20 A few countries (e.g. Austria, Bulgaria, Romania) operate a separate system. In Hungary, a separate network of rehabilitation centres was set up in 2011 and reintegrated into the PES in 2016.



4. MEASURES AND SERVICES TO SUPPORT THE LABOUR MARKET INTEGRATION OF JOBSEEKERS WITH DISABILITIES

This section presents the main types of policy intervention that are widely used in Europe, focusing particularly on those that have proved to be effective in supporting the labour market integration of jobseekers with disabilities. These include preventive measures, reliable assessment procedures and careful targeting, financial incentives, personalised rehabilitation services to improve employability, and engaging employers. In selecting the measures we relied mainly on counterfactual quantitative evaluations, but, given the limited empirical evidence, in some cases we also used qualitative evaluations and compilations of good practices.

4.1 Preventive measures

In a broad sense, effective prevention requires measures in healthcare and work safety regulation that reduce the incidence of illness and accidents, as well as an inclusive school system that ensures that children with disabilities have an equal chance to get a high quality education. In this sub-section however, the focus is on a more narrowly defined range of institutional arrangements and measures centred on working-age adults who have lost some of their work capacity. In this case, prevention involves maintaining or developing work capacity and the motivation to work or seek employment. Reviews of the existing policy practices suggest that early intervention is important in all stages of the rehabilitation process – for people on sick leave, as well as for disability benefit recipients (OECD 2010, OECD 2015). Prolonged absence from work tends to reduce motivation, employability, and in some cases, the underlying health condition itself, all of which highlights the importance of early intervention.

Most preventive measures focus on the individual and relate to accessing benefits. In general terms, lower replacement rates, earlier and more frequent visits to the rehabilitation counsellor and more independent medical assessment procedures prevent the prolongation of sick leave (beyond the time required for the recovery of health) and help maintain motivation for work (Bound and Burkhauser 1999). Setting behavioural conditions in order to prevent a move into unemployment during sick leave may also be effective, but is rarely used in Europe. One exception is the so called Gatekeeper protocol in the Netherlands, which is detailed below (4.1.3).

4.1.1 Mandatory rehabilitation during sick leave – Denmark

Denmark implemented a policy experiment to measure the impact of intensive rehabilitation support and activation during sick leave in 2009 (Rehwald, Rosholm, and Rouland 2015). At the time of the experiment, sick leave was available for a maximum of 52 weeks and the worker was required to meet a municipal case manager (PES counsellor) after the 8th week, and every fourth week thereafter, to verify their health condition and discuss possible rehabilitation efforts. The policy experiment was implemented by job centres in 16 municipalities, where every second new claimant was assigned to receiving intensified support. The support lasted 18 weeks and consisted of weekly meetings with a caseworker and mandatory rehabilitation activities, which would take one of three forms (and could be applied in combination as well). These included (a) vocational counselling, skills development, on-the-job training or internships; (b) paramedical care and counselling; and (c) return to work with a gradual increase of working hours. The combination of the measures was determined by job centre staff on the basis of the client's needs. Workers in the control group did not have access to paramedical care and only met their caseworker every four weeks.

The outcomes were measured one, two and three years after the first meeting with the client. Results indicated that the intensified gradual return-to-work option significantly improved outcomes in terms of return to regular employment, self-sufficiency, and unemployment, while the intensified use of traditional activation measures and paramedical care reduced subsequent performance. This means that those assigned to the gradual return-to-work option worked 4.2 weeks more in the first year after the start of the experiment, and 3.6-3.7 weeks more in the subsequent two years (relative to the control group). Importantly, the positive effect of the gradual-return option was not present for workers with a mental condition.

4.1.2 Experience rating in the Netherlands

Some countries employ incentives for employers to prevent transitions into inactivity. For example, the Netherlands introduced experience-rated insurance, whereby firms with a worse record of preventing or tackling disability pay higher insurance fees (J. de Koning 2004; de Groot, Nynke and Koning, Pierre 2016). A similar arrangement was introduced in Finland in 2007, but has had no significant positive effect so far (Kyyrä and Tuomala 2013; OECD 2008).

In the Netherlands, experience rating in the disability insurance system was introduced in 1998, which implied that employer contributions to the Disability Insurance Fund were linked to their past experience of employees receiving disability benefit.[21] Initially, employers were obliged to cover the costs of the first five years of disability benefits, which was extended to ten years in 2006.[22]

A recent impact evaluation of the Dutch experience-rating regime (de Groot, Nynke and Koning, Pierre 2016) used a modification in 2003, when small firms were temporarily exempted from the experience-rated contributions. The estimates compare inflows into disability benefit among employees in small firms (not affected by the regime) and in other firms (subjected to the regime), a few years before and after the modification. As other substantial reforms occurred in 2005, only short-term effects could be estimated. The results show that entry into disability increased by 7 % while exits from disability decreased by 14 % for small firms no longer subject to experience-rated contributions. The second effect was observed only for workers with mild or medium disabilities.

4.1.3 Early intervention by the employer: the Dutch Gatekeeper protocol

The Gatekeeper protocol was introduced in the Netherlands in 2002. The protocol obliges employers and employees on sick leave to develop a return-to-work plan within eight weeks of absence and continue efforts until the worker can resume work (Koning and Lindeboom 2015). The protocol also applies to disability insurance claims: benefit claims can be awarded only after a mandatory waiting period of one year, during which the employer pays sick leave benefit and implements the return-to-work plan in cooperation with the employee. The return-to-work plan typically includes activities to re-organise work to account for the work capacity of the sick person, as well as rehabilitation for long-term sick employees.

If the worker has not fully returned to work at the end of the waiting period, the worker then files a disability benefit claim along with a return-to-work report, which contains the original plan and an explanation of why it has not been accomplished. The social security administration monitors the plan, and if they find that it is inadequate or poorly implemented, the employer may be obliged to continue the payment of sick leave benefits for some months. This implies that the responsibility for early reintegration efforts is shifted from the social security administration to the employer.

The introduction of the protocol resulted in an immediate drop in the incidence of disability insurance awards (from 1.4 % of the insured population in 2001 to 0.8 % in 2004), which was probably mainly due to screening effects. In a related study, Jong, Lindeboom, and Klaauw (2011) show that stricter screening causes both self-

21 The sickness benefit programme was privatised in 1996, making employers fully responsible for covering these costs. Employers could reinsure this risk with private insurers or bear this risk themselves (P. Koning and Lindeboom 2015).

22 The payment is calculated as a ratio of average disability costs of (former) employees and the total wage costs of insured employees over five years, and both are taken with a two year lag. On average, the payment amounts to about 1.5 % of the total wage cost.

selection[23] and increased effort to resume work during sick leave. These effects seem to have been further strengthened when the waiting period was increased to two years in 2004 (Koning and Lindeboom 2015).

While these results confirm that making employers financially responsible for their workers' sickness through the Gatekeeper protocol (as well as experience-rated contributions) was an effective tool for prevention, it should also be noted that it may have some unintended negative side effects. Though rigorous evaluations are not yet available, there is some evidence of a recent trend that vulnerable groups with bad health conditions are directed towards flexible jobs, which are not subject to the same legislation. The Dutch government is currently considering amendments to both the Gatekeeper protocol and the experience-rating regime that would ensure strong incentives at lower financial risks for employers (Koning and Lindeboom 2015).

4.2 Assessment of disability

Effective rehabilitation services and permanent disability benefits are costly, but these costs can be mitigated by a transparent and reliable assessment procedure that ensures that in-kind and financial support is targeted to those in genuine need. Reliable assessment requires the involvement of health and employment professionals and a focus on remaining abilities beside the loss of particular functions. As jobseekers with disabilities often live with a permanent health condition, the cooperation between PES and health specialist is useful throughout the rehabilitation process.

Effective cooperation between the various actors in benefit and service provision (such as pension and health insurance funds, healthcare institutions, training providers and the PES) is key to the successful reintegration of people with chronic health problems, especially when considering that people with disabilities are often not treated as a potential target group of vocational rehabilitation programmes (EC 2013). These clients are in need of diverse support (physical/mental health support, employment support, information about the benefit claim process, etc.) and the assessment of their work-readiness is often more difficult than it is generally the case with unemployed clients. The lack of a well-coordinated and effective cooperation of the different actors involved in the assessment of the clients' health status and the lack of timely action can be detrimental to the clients' rehabilitation. In recent years, Austria has seen a number of reforms that can provide us with valuable information on improved assessment methods and cooperation practices.

4.2.1 Involvement of health specialists in Austria

The Fit2Work programme, launched Austria-wide in 2013, offers intensive case management and return-to-work support to clients with at least 40 days of sick leave. The aim of the initiative is to reach people on sick leave before they reach the 40-day threshold and prevent job loss and transit to long-term unemployment. Clients are in part reached through contact with employers (Fit2Work also provides consultancy to companies), but a large share of them enter Fit2Work through referral by general practitioners or the PES. The programme is implemented by counsellors specialised in psychology, medicine and social work and is funded and steered jointly by the health insurance fund, the PES, the Ministry of Social Affairs and by the social partners (OECD 2015b; OECD 2015a). The majority (42 %) of the Fit2Work clients were found to suffer from mental health issues. Fit2Work refers clients to external psychiatrists or physiologists when they are in need of a specific treatment.

The results of a recent impact evaluation by Statistik Austria (2015) suggest that on average, participants of the programme spent 15 days more in employment, 90 days after the end of the case management than their peers in the control group and these positive results hold for 180 and 360 days too. These results, however, need to be interpreted with caution because of the shortcomings in the evaluation method (i.e. selection bias not addressed adequately; unclear matching procedure), but they nevertheless indicate significant potential benefits of well-established disability assessment procedures.

23 The underlying idea is that people consider their chances of meeting the benefit criteria and if screening is stricter, those with a less severe illness or disability will perceive this chance to be lower and hence will not file a claim. Thus, if it does not intimidate those who would in fact be eligible for the benefit, stricter screening can improve the targeting efficiency of a scheme.

Another relevant case from Austria is the so called Health Road (Gesundheitsstraße), which was initially implemented as a pilot in 2009 and introduced nationwide in 2010. The objective of the project was to bring in line the assessment practices of the PES and the disability benefit agency and to eliminate duplications and uncertainties embedded in the procedures. In the new system, the assessment of clients with more complex health problems takes place within the framework of the Health Road, which is structurally embedded in the disability insurance agency, whose assessment is binding on the PES as well. This initial assessment is in all cases financed by the PES. The reform replaced an old system in which clients were sent back and forth between the PES and the insurance agency, and where they had to get an official assessment of their health condition from a number of different doctors. Evaluations of the reform concluded that it has accelerated the assessment process and in general led to greater transparency and efficiency. To one's best knowledge, there are unfortunately no impact evaluations measuring the labour market effects of this reform (OECD 2015b; OECD 2015a).

4.2.2 Estonian reform of evaluating eligibility for disability benefit

As part of a broader policy reform[24] to reduce the inflow into disability pensions and activate people with a disability, Estonia introduced new rules for evaluating applicants' work capacity and eligibility rules for the monthly financial social security benefit (Masso 2015). As the new rules only came into force in January 2016, there is no evaluation available about their effects yet.

The new system shifts the focus from evaluating incapacity to work towards assessing the claimant's remaining work capacity. First, the claimant needs to attend a doctor for three months before filing an application with the Estonian Unemployment Insurance Fund (which was recently merged with the PES) to have her work ability assessed. They fill in a self-assessment test of their abilities in a variety of activities, such as mobility, personal care and learning. Next, a medical expert compares the test results with health records and provides an assessment of work ability. If there is a discrepancy or missing information, the expert may invite the claimant to a personal appointment. Lastly, the expert sends their assessment to the Estonian Unemployment Insurance Fund, which prepares the work ability assessment, which specifies the remaining abilities, work capacity and options for suitable work.

The transition to the new system will be gradual. From 1 July 2016, the PES will start to assess first-time claims, and from 1 January 2017, they will apply the new rules to working age beneficiaries whose disability benefit entitlement is about to expire.

4.3 Financial incentives to encourage job search and re-employment

Standard models of labour economics show that the receipt of cash transfers tends to reduce the motivation for work (Bound and Burkhauser (1999)) and this applies to disability benefits as well. Financial incentives that increase the relative gains of taking up a job, either by increasing in-work incomes or reducing out-of-work incomes, can therefore be effective in motivating job search and re-employment. However, such incentives need to be designed carefully, so that the main purpose of benefit payments (i.e. providing an adequate income during unemployment and allowing sufficient time for finding a suitable job) is not compromised. Incentives may focus on the level and duration of different forms of sickness, disability and unemployment benefits (as in the Norwegian reform of 2002) or on the rules of benefit receipt while working (as in the Norwegian reform of 2005).

4.3.1 Financial incentives in Norway

Norway reformed their Temporary Disability Insurance (TDI) system in January 2002. In the new system, the benefits are calculated on the basis labour income observed in the last year (or last three years), rather than the entire employment history of the individual prior to disablement. At the same time, the minimum level of benefits was increased and the maximum child allowance payment was cut. For certain groups this resulted in an increase of their TDI benefits, while for oth-

24 These entailed among others, several measures to increase the supply and quality of active labour market services and rehabilitation services for the people with an occupational disability. An overview of the reform as well as the details of the evaluation method is available in English at the website of the line ministry.

ers it decreased them. Fevang, Hardoy, and Røed (2013) found that a 10 % cut in the benefit level increases the likelihood of moving into regular employment by about 3 % and into unemployment by 4.1 %, while it also increases the chance of exit to permanent disability by 3.4 %. This result underlines the need for combining financial incentives with transparent and reliable assessment processes, which may prevent benefit substitution.

In the 2005 reform, the Norwegian government introduced the option for Disability Insurance (DI) recipients returning to work to keep a portion of their benefit. The amount of the partial benefit is reduced by approximately 6 euros for every 10 euros in earnings. Only recipients who had been awarded DI before January 1, 2004 were eligible to the programme.

An evaluation study by Kostol and Mogstad (2014) found that three years after its implementation, this return-to-work incentive increased the labour force participation of DI recipients by 8 percentage points in the 18-49 age group. According to their findings, besides increasing the overall earnings of DI recipients, the programme also decreased the costs covered by the central budget through a significant reduction of DI benefits and an increase in the taxes payed by DI recipients.

Importantly, the programme had no significant effect among DI recipients aged 50-61 (those who are approaching the retirement age). In the age group 18-49, the effects are substantially stronger for men, highly educated individuals and people living in areas with a low unemployment rate. These results suggest that careful targeting can increase the efficiency of financial incentives.

4.3.2 Financial incentives in the Netherlands

In the Netherlands, a negative financial incentive was built into the new partial disability benefit for those with substantial remaining work capacity (of 20-65 %), introduced in 2006.[25] The new benefit had two phases: in the first one, the claimant may receive 70 % (same as before) of their previous earnings for a maximum of 38 months (the duration depends on prior employment history), rather than 60 months, as it was in the earlier system. In the second phase, they receive a flat-rate benefit (which is set at 70 % of the statutory minimum wage multiplied by the percentage of incapacity) and are entitled to an earnings subsidy if re-employed in a job that uses more than 50 % of their remaining work capacity. The subsidy is paid to the employee and its amount is such that the beneficiaries do not experience a drop in their incomes.[26] The change implied strong incentives for employment during the second phase, especially for those with a shorter employment history.

In their evaluation of the Dutch reform, Koning and van Sonsbeek (2016) found a significant impact on the likelihood of staying or entering employment, which was larger for those aged below 45, having shorter (previous) employment histories, and also for those with higher work disabilities and with mental disorders.

4.4 Rehabilitation measures to improve employability

As we show in this sub-section, the existing empirical evidence suggests that personalised services such as supported employment, rather than large-scale uniform programmes (training or sheltered workshops) are more effective in promoting a transition into the open labour market. A likely reason for this is the large variation in the needs of people with disabilities, as they require different forms of retraining and counselling in adapting their daily routine to changed abilities depending on the form and extent of their disabilities. This often requires specialists who are not available in PES. Outsourcing these services is most efficient in the case of hard-to-place clients, and partially outcome-based financing can be especially effective(EC 2012). In the latter case, it is crucial that perverse incentives for creaming and parking clients are constrained by financing tools and monitoring.

25 As inscribed in the Work and Income (Employment Capacity) Act of 2006. Note that those with a remaining work capacity of less than 20 % are considered ‘fully disabled’, while those with remaining work capacity of over 65 % are not entitled to disability benefits. Also, the previous partial disability benefit was paid to workers with a degree of disability of over 15 %.

26 The subsidy effectively ‘tops-up’ the person’s income, such that it reaches 70 % of previous earnings.

4.4.1 Personalised services provided in-house by the PES: examples from the UK

The Pathways to Work programme in the UK was introduced as a pilot experiment in different regions in the UK in 2003. The Programme specifically targeted incapacity (disability) benefit recipients, eight weeks after making a new or repeat benefit claim. The treatment group participated on a voluntary basis in a series of Work Focused Interviews (WFI), while the control participants had to attend only one WFI. WFIs comprised a series of meetings between the programme participants and personal advisers. Personal advisers supported participants in focusing on their ability to work, helped them develop a personal action plan, discussed work opportunities and counselled them on various further issues (such as debt management or financial assistance). In addition to the WFIs, there were a number of further provisions available to programme participants, such as mentoring, financial support upon finding a job or in-work support.

Bewley et al. (2007) estimated that 18 months after the initial benefit inquiry, the control group's probability of being employed was about 29.7 % compared to 37.1 % in the treatment group. Importantly, the effect was driven by participants no longer receiving incapacity benefit, i.e. those with probably less severe disabilities.

The UK introduced the so called Trailblazer programme for the very long-term unemployed as a Randomised Control Trial in 2013 implemented by the PES charities and local communities. The intervention consisted of a 13 week pre-treatment period during which participants were provided with information on another intervention lasting for 26 weeks, starting at the end of the pre-treatment period (the pre-treatment period was used to test the deterrence effects of the measure.) During the treatment period participants were randomly assigned to i) Ongoing Case Management (OCM), ii) Community Action Programme (CAP) and iii) to regular PES support programs (control group). 34 % of the target group were made up of clients with disabilities. OCM participants received intensified PES Jobcentre Plus services, had continuous contact with their personal advisers (weekly meetings) and received flexible and personalised services from the same adviser throughout the entire programme period. CAP was a full-time work experience or job-search support programme. 60 % of the participants were offered a work placement at charities or local communities, involving simple (e.g.: cleaning, shelf-stacking, etc.) and some more complex activities (e.g.: customer service). Those not in a job placement were focusing on looking and applying for jobs while receiving ongoing job search support from their CAP provider.

McAuley (2013) finds that in the long run (91 weeks) OCM has undoubtedly led to more positive employment and off-benefit outcomes than CAP. OCM participants spent 27 days less on any type of benefit and 13 days more in employment than the control group. Compared to the control group receiving standard PES support, CAP participation has also produced better results: they spent fewer days on benefit and more in employment, however, the difference was not significant. For non-disabled participants without disabilities and especially those above age 25, the CAP programme had better results, implying that work experience measures might not be effective enough for clients with more complex needs. Despite favourable employment and benefit (Jobseekers Allowance) outcomes, the share of those receiving disability benefits or income support has also grown, partially offsetting the positive benefit effects.

4.4.2 In-house rehabilitation services provided by the Hungarian PES

The Hungarian PES offered specific and personalised services for jobseekers with disabilities between 2009 and 2013. The service offer was available to all new claimants of the temporary rehabilitation allowance, which was introduced in 2008. The new allowance replaced permanent disability pensions and provided support for up to three years, with an obligation to cooperate with job centres. The PES offered a personalised combination of subsidies and services: wage subsidies to employers and vocational rehabilitation, including covering the costs of training and vocational education, psychological counselling and coaching. The scheme also reimbursed commuting and other related costs of working.

Adamecz et al. (2016) estimated the impact of the services on uneducated participants (i.e. those who completed eight years of primary education or less) by comparing employment outcomes for participants and a comparable control group. On average, about 70-93 % of the

participants were reemployed during or shortly after completing the programme. Participants of the programme were 26-30 percentage points more likely to be re-employed than their comparable peers who did not participate in the programme. The programme also reduced the probability of re-entering unemployment again, by about 4-17 percentage points. The positive effect of the programmes is also significant on the long-term unemployed and considerable for those who did not receive wage subsidies.

There is likely to be an upward bias in these results, coming from the unobserved (self-selection) of the participants (which implies that they had already had an advantage before the start of the programme) and the lack of data on undeclared work. It seems likely that those not participating in any programme (and thus not benefitting from a wage subsidy) are more likely to be re-employed in the shadow economy, which imposes a downward bias in the observed employment outcomes of the control group.

4.4.3 Subcontracted services for specific sub-groups: a Dutch example

An alternative to in-house provision by the PES is to subcontract specialised services to dedicated NGOs. One example for that is the Dutch Vangrail programme financed by the PES. The programme helps young school dropouts (aged 16 and above) with mental disabilities smooth their integration into the labour market. It offers tailor-made services to the youth, including vocational training, job-experience and skills training and long-term employment support. The foundation running the programme cooperates closely with regional remedial education centres providing health care services, as well as health professionals and parents related to the clients. Based on De Vos (2012), about one in three programme participants achieved labour market integration between 2005 and 2010.

4.4.4 Specialised programmes for particular subgroups: a Danish example

Some types of disability require specialised methods that are typically developed by innovative NGOs. An example for that is the Specialisterne Programme, which started as a Danish initiative and has grown to a global network. The programme targets clients aged 16-25 with autistic disorders and offers long-term mentoring support, life skills and education services in order to achieve labour market integration. The aim of the programme is to turn clients' disability into a capability through employing them in sectors where their skills and abilities (e.g. detail-orientation, precision) are highly relevant to performing work-related tasks. Besides helping clients in gaining work-specific skills, the company itself employs people with autistic disorders as business consultants, competing as a relevant player on the open market with other IT firms. The programme has not yet been evaluated, thus the size of its impact cannot be ascertained.

4.4.5 Individual Placement and Support (IPS)

IPS is a specific method for providing individualised support for labour market integration that was initially developed for jobseekers with a mental condition. The key principles of IPS include a focus on employment in the regular labour market, rapid placement with a minimum of assessment, training on the job instead of prevocational training and the integration of vocational services with mental health care.

In Europe, the effectiveness of IPS was tested in an international project called EQOLISE (Enhancing the Quality of Life and Independence of Persons Disabled by Severe Mental Illness through Supported Employment). In the EQOLISE trial, 312 individuals with severe mental illness[27] were randomly assigned to receive either IPS or standard vocational services starting in 2003. The sample was drawn from six European cities: Groningen (Netherlands), London (UK), Rimini (Italy), Sofia (Bulgaria), Ulm-Günzburg (Germany) and Zurich (Switzerland). People who entered the trial had been ill and experiencing major difficulties accomplishing normal roles for at least two years and had not been employed for at least one year. They were followed for 18 months.

27 Schizophrenia and schizophrenia-like disorders, bipolar disorder or depression with psychotic features, using IDC-10 criteria.

The evaluation was carried out from the perspective of the health and social care systems: the costs of mental and physical health care, social care (including care accommodation) and vocational rehabilitation services were considered (Knapp et al. 2013). The number of days worked in competitive settings, and the percentage of sample members who worked at least one day, served as measures of effectiveness for the cost-effectiveness analysis. The evaluation (conducted by Burns et al. 2007) show that IPS was more effective than vocational services for every vocational outcome: 55 % of the participants worked for at least 1 day during the 18-month follow-up period compared to 43 % of those assigned to vocational rehabilitation services. The trial also found that the context was important: the local unemployment rates explained a substantial proportion of the observed variation in IPS effectiveness (with better outcomes in low-unemployment regions). Total per person costs over 18 months were about a third lower for the IPS group than for the control group receiving vocation rehabilitation services.

The IPS approach to the re-integration of mentally ill clients has been piloted on a larger scale in other countries and for slightly different target groups following the success of the EQOLISE trial. In the Netherlands, a randomised control study involving 151 persons across four sites was implemented in 2006-2007. Comparing the outcomes of those involved in the IPS trial and those receiving 'traditional' vocational rehabilitation, (Michon et al. 2014) found that the treatment group was markedly more successful in re-integration into the workplace than the control group even in the medium run – 30 months after the start of the trial the employment rates were 44 and 25 %, respectively.[28] The IPS approach was extended recently to persons with common mental disorders (anxiety and/or depression) within the 'At Work and Coping' pilot in Norway starting in 2011. In this study, a total of 1,193 participants who were recruited from among those on partial sickness benefits, full sickness benefits or on long-term benefits[29] were randomised across a treatment group (receiving a combination of work-focused cognitive–behavioural therapy and IPS) and a control group (receiving standard support). (Reme et al. 2015) report that the innovative intervention led to an increase in participants' employment in the short- to medium term, and, the positive effect was particularly pronounced for those initially on long-term benefits.[30]

As the evidence-base for the positive effect of the IPS approach on the re-integration of individuals with mental disorders is growing, further demonstration projects have been launched in Denmark and the UK. A number of issues and caveats are yet to be addressed. First, the European trials only targeted motivated jobseekers and those with severe mental health issues, so there is a need for further research involving other groups.[31] Third, while the IPS approach is more cost effective than traditional vocational rehabilitation, it is not yet clear if (and for which groups) it yields positive net gains.[32]

28 Similarly, positive results were reported from a randomised control trial in Sweden (Bejerholm et al. 2015), where the IPS approach yielded employment rates of 46 % 18 months after intervention, compared to 11 % for the traditional vocational rehabilitation approach.

29 Note that sickness benefits could last for a maximum of one year and replaced 100 % of lost earnings, while long-term benefits only replaced two thirds of earnings and were typically paid to those who had exhausted their sickness benefits.

30 The treatment effect of the intervention on employment rates was 6 to 7 percentage points overall, while for those on long-term benefits, it rose from 7.8 percentage points (12 months after intervention) to 17.4 percentage points (at 18 months).

31 IPS and similar methods have already been applied to other groups as well, but these attempts have not been evaluated in Europe.

32 Few existing trials of IPS reported cost-effectiveness or cost-benefit results in Europe. In the US, for the New Hampshire trial, Clark et al. (1998)) estimated a marginally higher benefit-cost ratio for IPS than for group skills training, for the society as a whole (2.18 vs. 2.07) as well as for the state budget (1.74 vs. 1.39). Note also that the existing studies only account for the direct monetary costs and benefits of these programmes.

4.4.6 Social enterprise for placing jobseekers with disabilities in Austria

The Austrian social enterprises constitute a longstanding practice of the Austrian PES (AMS). The first Sozialökonomische Betriebe (SÖB) were implemented in 1995 and although the concept has undergone some modifications, it is still in operation today. SÖBs provide protected employment for the particularly vulnerable groups of the unemployed (long-term unemployed, people with disabilities, youth with disadvantaged social background, elderly, people with substance abuse problems, etc.) at subcontracted NGOs, whose expenditures are at least in part (the limit was usually set around 20 % of their revenues) covered by their income generated by the sales of goods or services. Besides providing a protected workplace, these NGOs are also specialised in supporting the skills-development of long-term and unemployed with disabilities. The aim of this temporary protected employment is to help participants transfer to unprotected employment in the regular labour market.

The evaluation by Lechner et al. (2000) shows positive long-term outcomes for the whole target group, as well as for the subgroup of people with disabilities. A later evaluation also shows a positive employment impact (2.7-7.5 per cent) after 18-36 months, with stronger effects for female participants (Schweighofer 2013 based on Lechner et al. 2007). These results point to the fact that protected temporary employment under certain conditions can be an effective way of helping particularly vulnerable unemployed people progressing to the regular labour market.

Sheltered employment refers to employment in firms that were created with the specific aim of employing people with disabilities whose access to the open labour market is restricted because of their disability. In most cases, it also implies segregation as government subsidies are usually conditional on maintaining a high share (50 % or above) of people with disabilities in the workforce. While sheltered employment is widely used in Europe,[33] there is a recent trend to reduce such subsidies and strengthen administrative incentives to increase transition into the open labour market; such reforms have been implemented, for example, in Hungary, the Netherlands, Sweden, and the UK. This new trend is likely to be a response to the mounting evidence that this measure is very costly and rarely leads to reintegration in the open labour market.

4.4.7 Sheltered employment in Spain

In Spain, Sheltered Employment Centres (SECs) were established in 1982 to promote the employment of people with disabilities. Most SECs sell their products on the open market, and their purpose is to preform productive work. However, they enjoy a protected status and are entitled to a state subsidy, in some cases, complemented by subsidies from the regional government as well. Sheltered employment centres receive a 100 % bonus on their social security contributions for each employee with disabilities, a subsidy to adapt the premises and a wage subsidy (up to 50 % of the minimum wage) as well as other, smaller allowances.[34] There are further financial incentives supporting the transition from sheltered employment to the regular labour market: according to data of the European Blind Union, employers that hire workers with disabilities under the Work Enclave system (whereby workers from a sheltered employment centre temporarily join the company) are entitled to a bonus of EUR 7,814 per annum and per permanent contract and to a grant to adapt their premises. Further bonuses are applicable if the contract is full-time.[35]

Cueto and Rodríguez (2014) used a sample of administrative data taken from the Spanish Social Security records for 2006, containing the entire work history of individuals up to that date. They applied matching techniques to examine the impact of sheltered employment on the labour market participation of DI recipients, finding that employment by sheltered employment centres actually decreased the likelihood of later being employed on the regular labour market. Examining the hypothetical mandatory employment for people with disabilities in SECs, Cueto and Rodríguez (2014) found that the policy would have a negative effect relative to the current situation, and integration to the open labour market would be even lower. Compared to a control group of people with disabilities who never worked

33 Only five Member States (Cyprus, Estonia, Greece, Latvia and Malta) do not have sheltered employers (EC 2013).

34 European Blind Union. URL: http://www.euroblind.org/convention/article-27--work-and-employment/nr/135 Accessed on 26 May 2016.

35 Ibid.

in a SEC, the probability of being employed on the regular labour market would be approximately 31-44 percentage points lower for those whose first employment was in a SEC and 22 percentage points lower for those who worked in a SEC during a later employment spell.

4.5 Engaging employers

There is a wide range of interventions that aim to promote the employment of people with disabilities by influencing the attitudes and perceptions or the financial gains of employers. The rationale for such interventions is that workers with disabilities often cannot perform at the same level as their peers without disabilities, or that employers perceive their productivity to be lower and may also overestimate the cost of workplace adjustment and assistance. The perceived or actual financial costs to the employer can be compensated by wage subsidies and services for the employer. Discriminative attitudes and practices may be influenced by legal provisions, quotas, and information campaigns. Prospective employers may also be engaged by appealing to their existing policies for corporate social responsibility (CSR). Empirical evidence on the impact of these interventions is relatively scarce.

4.5.1 Quota system in Austria and Spain

In Austria, the Disabled People Employment Act requires firms to employ at least one person with disability per 25 employees without. The law is enforced by a non-compliance taxation, which amounts to somewhat more than EUR 200 per month.

Lalive, Wuellrich, and Zweimüller (2009) investigate the impacts of this quota, finding that firms exactly at the quota threshold employ 0.05 more workers with disabilities than firms that are just below the threshold. However, there is heterogeneity in the effects, as the flat nature of the non-compliance tax generates stronger employment effects in low-wage firms. At the same time, they also find that firms need time to comply with the regulation, when growing firms pass the first quota threshold; only 1 in 170 firms comply with the law in the first month, later this ratio grows slowly. It is important to note that half of the employment effect can be attributed to employees who were already employed by the firm when acquiring disabled status, 42 % can be attributed to employees who were employed by other firms when acquiring disability status, and merely 8 % of excess employment can be attributed to workers who were not employed when they acquired the disability status.

Malo and Pagan (2014) evaluated the impact of the 2 % quota in Spain for firms with 50 or more employees. They found that strictly beyond the cut off of 50 workers there is an increase of 1.4 percentage points in the number of people with disabilities employed by the firm, which makes them reach the 2 % quota. However, this effect only appears in the vicinity of the cut off, and the dispersion of the percentage of employees with disabilities increases when the firm's size is larger, and the variation becomes more related with differences in the firms' characteristics.

4.5.2 Wage subsidy in Sweden

In Sweden, the employer of workers with disabilities may be entitled to a wage subsidy of up to 80 % of wage, depending on the degree of disability (assessed by PES caseworkers, based on medical reports), for a maximum of four years. Eliason and Angelov (2014) evaluate the impact of this programme for people who had not participated in ALMPs in the preceding five years. The comparison group is composed of jobseekers with disabilities who did not enter the ALMPs in 2004 (but may have participated in later years). Controlling for the prior employment history and health condition of participants, they find that the programme has large positive effects on labour incomes and employment, which decrease with time: the impact is around 40-50 percentage points one to two years after entry, and drops to about 25 percentage points three to five years after entry. However, there are important lock-in effects: the probability of taking up unsubsidised employment is lower by 15-20 percentage points in the short run and by 10 percentage points in the medium run. Finally, the effect on income from disability benefit is negative and growing with time, while the effect on disability benefit prevalence initially rises at the start of the programme and decreases in the medium run.

4.5.3 Workplace adjustment scheme in the UK

The UK scheme called 'Access to Work (ATW)' is operated by the PES and covers (part of) the costs of the practical support of people in (or

about to start) employment who need help to overcome work-related obstacles stemming from their disability. The applicant must have disabilities, as defined by the Disability Discrimination Act 1995 and need extra practical support to apply for and/or perform in a job.

The scheme provides advice and information to these people and employers and can provide or help defray the costs of communication support at interviews (e.g. for jobseekers with a hearing impairment), personal assistance to support workers, equipment to help employees with disabilities in the workplace, adaptation of premises or equipment, and costs of travelling to work if an employee is unable to take public transportation. ATW covers up to 100 per cent of approved costs for new employees in the first six weeks of employment. In some cases, an employer contribution is required.

Although there has been no counterfactual impact analysis of the scheme, qualitative evaluations (e.g. Thornton and Corden 2002) suggest that it mainly supports the continued employment of people with disabilities already in a job at the time of applying for assistance, rather than new hires or job applicants. This implies that ATW has a limited effect on the re-employment rate of people with disabilities (Clayton et al 2006).

4.5.4 Job creation by reallocating tasks in the workplace: a Dutch experiment

Employers may not have an accurate perception about the kind of jobs that are suitable for workers with disabilities and may not recognise opportunities for creating such positions. A recent Dutch experiment addressed this challenge by developing a method called the Inclusive Redesign of Work Processes (IHW). Developed by Maastricht University and the Dutch Employee Insurance Agency (UWV), the method identifies options for reorganising the workplace or work processes in order to create jobs suitable for young people with a disability, especially if low-qualified or low-educated due to a chronic mental illness, psychological disorder, developmental disorder or a learning disability. As the method reallocates some simple tasks from qualified worker, to create a position that can be filled by a worker with lower qualifications, the employer may potentially incur some savings on the wage bill.

The IHW method was tested in practice with the participation of youth with disabilities (within the Wajong scheme) in Slotervaart Hospital between 2010 and 2013. During the pilot project, about 100 recipients of the Wajong[36] started working at the hospital. The qualitative evaluation of the project show that the IHW method proved efficient in creating appropriate positions for youth with disabilities. The cost-benefit analysis also suggested that enabling people with disabilities to enter employment may be cost effective for the employer, despite a greater need for guidance (Nijhuis et al 2014). Over the past few years this approach of job creation was successfully implemented in a variety of private and public organisations, due to the support in applying this method by a nationwide network of consultants of the Dutch PES.

4.5.5 Anti-discrimination campaign in the UK

Awareness-raising amongst the general public and employers can support labour market integration by weakening stereotypes and discrimination. The 'Disability Confident Campaign' was implemented by the UK Department for Work and Pensions (DWP), in cooperation with employer and trade union organisations, youth and development organisations, education and training organisations. It aimed to raise awareness and provide information on the employment of people with disabilities. In cooperation with companies, it also provided guidance on how to attract, recruit and retain people with disabilities, with a special focus on inclusive communication.

The campaign built partnership with companies and provided guidance materials to facilitate the employment of people with disabilities. Within the campaign, DWP disseminated good examples on their website and organises special events to promote the employment of people with disabilities.

As the campaign was part of a wider set of measures that aimed to increase the employment of people with disabilities, it is difficult to assess its impact. DWP officials reported that the number of people with disabilities in work increased by 238,000 during the second year of the campaign and 376 UK companies supported the campaign.[37]

36 Disablement Assistance for Handicapped Young People.

37 DWP response to Freedom of Information request 2014.

4.5.6 Appealing to CSR commitments: the two ticks symbol of the UK

The 'Two Ticks Symbol' and the related activities programme has been implemented by the PES in cooperation with employer and trade union organisations (Bacon and Hoque (2012)). Employers willing to commit themselves to positive treatment of people with disabilities may join the programme. The employers need to make five commitments, such as to select all qualified job applicants with disabilities into the interview stage when hiring; to consult employees with disabilities on potential developments at least once a year; to keep employees who became disabled; to promote disability awareness; to review and evaluate their achievements in this field and prepare an annual action plan.

Employers make a commitment to fulfill the five criteria and ask for permission to use the 'two tick' symbol. The PES registers the company and authorises the use of the symbol. Employers can use the symbol in their CSR and public relations (PR) activities and also in job advertisements, thus encouraging applications from people with disabilities. Between 1990 and 2012, 8,387 employers joined the programme and were awarded with the 'two ticks' symbol.

The PES does not systematically evaluate employers' compliance with the five minimum commitments and ad-hoc evaluations have showed that participating companies rarely adhere to all five commitments. The highest compliance rate was found in relation to invitations to interviews: 82 % of firms claimed to always invite applicants with disabilities, while in 'non two-tick' companies the rate was 71 % (Bacon and Hoque (2012)).

5. SUMMARY OF EFFECTIVE APPROACHES AND GAPS IN THE EXISTING EVIDENCE. RECOMMENDATIONS FOR FURTHER EVALUATIONS

In line with earlier studies, the above review of the recent evidence on effective approaches to the labour market integration of jobseekers with disabilities points to four notable features of successful measures.

- First, prevention and timely intervention can increase chances of re-employment in all stages of the rehabilitation process.
- Second, well-designed financial incentives for the employee and the employer have an important role and can be very effective in the early stages, especially if combined with high-quality supportive services.
- Third, reforms need to address all benefits and services available to the target group in order to ensure that the tightening of eligibility conditions of one benefit does not simply lead to shifting clients from one scheme to the other.
- Fourth, as jobseekers with disabilities often have complex needs, they require personalised measures and services of a wide range, in a well-coordinated delivery process so as to harmonise the contributions of the PES, external providers and employers.

PES may contribute to improving the labour market integration of jobseekers with disabilities in several ways. In particular, PES can play an important role by collecting and disseminating evidence on the effectiveness of various rehabilitation services among stakeholders, by developing the framework for providing personalised services in an ideal combination of in-house and external provision and by strengthening partnerships with

stakeholders. Further development of profiling tools is also crucial as this is required for the proper targeting of expensive personalised services to those most in need.

The evidence reviewed suggests that in-house rehabilitation services can be effective, but for sub-groups with specialised needs it may be more efficient to subcontract some of the services to external providers. There is also some evidence that early placement with on-the-job training and mentoring in the workplace is more effective than prolonged rehabilitation measures or sheltered employment. Lastly, the involvement of employers seems much more effective if it goes beyond financial incentives and offers information as well as practical support, for example in workplace adjustment.

The review also highlighted the need for more evidence on what works best in disability policies. Despite the recent expansion in the literature, counterfactual evidence is still scarce, especially regarding the impact of institutional arrangements for assessing disability and benefit claims, and of the non-financial measures used for engaging employers, such as support for workplace accommodation or anti-discrimination campaigns.

Cost-benefit calculations are rarely available, even for the measures that have been rigorously evaluated. Given that most rehabilitation measures are costly, it is especially important to have strong evidence on their cost efficiency, as this would help convince governments and private donors of NGOs to increase their investments in such measures.

Lastly, the existing evidence also shows that the success of a measure and the size of the impact depend on the fine details of the measures: the exact size of a financial incentive, the combination of particular elements or the exact timing or intensity of an intervention. The fine-tuning of these details can be greatly enhanced by careful testing and rigorous evaluation. In particular, experimenting with small pilots of differently calibrated versions of the same measure or testing different combinations of measures can provide PES with valuable lessons for improving the effectiveness of their activities.

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ANNEX

Table A1. Public spending on rehabilitation 1995-2013, EUR per inhabitant (at constant 2005 prices)

	1995	2000	2005	2007	2010	2011	2012	2013
Belgium	0.34	7.00	4.89	6.13	7.58	8.21	10.17	9.69
Bulgaria	:	:	0.05	0.10	0.38	0.45	0.49	0.56
Czech Republic	0.00	0.00	0.00	1.42	1.90	2.02	2.06	2.16
Denmark	46.74	64.01	69.77	80.89	96.93	89.16	90.45	86.95
Germany	51.89	56.74	65.62	63.20	66.43	66.44	67.90	65.90
Estonia	:	0.63	2.23	3.19	4.23	4.66	4.52	5.72
Ireland	7.62	20.88	30.82	32.23	34.72	32.91	32.40	:
Greece	:	16.56	20.58	17.83	17.91	17.49	9.82	:
Spain	8.34	16.31	30.44	32.50	21.33	15.47	17.05	16.23
France	:	:	:	54.80	84.96	86.24	86.12	87.60
Italy	0.50	2.08	2.57	2.99	3.52	3.62	3.48	3.20
Cyprus	:	1.69	2.67	2.87	2.29	2.19	2.18	2.10
Latvia	:	1.23	1.25	2.63	1.33	1.60	1.57	2.07
Lithuania	:	2.22	2.66	1.29	1.82	2.13	2.18	2.04
Luxembourg	:	:	:	:	:	:	:	:
Hungary	:	0.19	0.76	8.17	4.32	4.93	5.09	5.32
Malta	:	11.35	13.60	15.93	14.72	15.16	15.52	16.51
Netherlands	44.11	65.00	62.07	122.85	145.53	135.19	127.15	94.55
Austria	6.96	14.05	13.05	13.72	15.01	15.13	15.27	15.21
Poland	:	1.76	1.65	2.35	1.57	1.62	1.75	:
Portugal	6.87	9.04	10.40	10.49	12.20	7.93	7.48	7.13
Romania	:	2.33	0.69	0.71	0.60	0.57	0.56	0.53
Slovenia	:	8.83	7.66	9.18	9.56	9.57	12.31	12.33
Slovakia	0.00	0.00	0.06	0.36	0.27	0.37	0.37	0.39
Finland	68.56	83.73	97.25	96.61	96.58	97.85	97.95	99.19
Sweden	33.79	52.00	58.16	55.63	57.63	58.97	57.69	61.52
UK	0.23	0.29	0.38	2.67	4.96	4.34	4.23	4.50

Notes: ":" not available
Source: Eurostat Social protection expenditure disability function [spr_exp_fdi].

Table A2. Public spending on cash transfers for disabled people, 1995-2013, EUR per inhabitant (at constant 2005 prices)

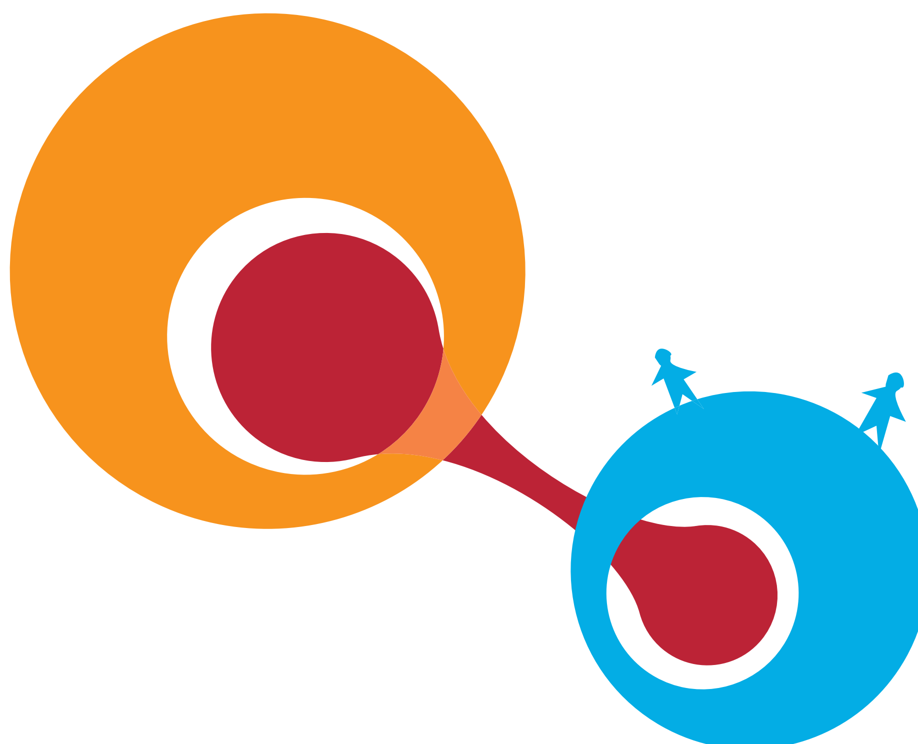
	1995	2000	2005	2007	2010	2011	2012	2013
Belgium	356.65	364.82	448.07	422.07	485.34	492.07	503.54	548.97
Bulgaria	:	:	33.87	36.22	46.31	44.79	43.76	48.88
Czech Republic	76.31	98.64	123.34	153.71	153.09	151.52	139.31	133.96
Denmark	744.37	807.38	1133.96	1121.87	1117.51	1081.42	1072.41	1079.16
Germany	396.09	439.00	428.92	416.95	433.95	431.91	446.21	449.32
Estonia	:	39.75	83.70	101.21	137.04	139.79	145.27	150.21
Ireland	165.64	201.60	305.63	351.24	417.00	396.05	392.48	:
Greece	:	132.31	181.38	200.82	202.74	196.55	179.41	:
Spain	225.93	266.33	276.29	287.51	304.86	300.80	294.39	298.58
France	285.35	298.22	332.79	368.13	348.52	352.75	362.58	369.08
Italy	287.97	274.97	328.43	341.25	360.62	342.90	336.81	333.24
Cyprus	:	69.28	100.22	106.42	114.41	114.21	109.94	105.79
Latvia	:	31.15	37.75	42.45	68.34	66.84	67.33	70.33
Lithuania	:	35.03	66.42	97.02	107.91	98.68	101.58	96.78
Luxembourg	1048.36	1077.54	1181.23	1095.16	1029.90	1036.57	981.70	955.79
Hungary	:	111.22	165.91	164.89	137.64	126.62	114.85	110.53
Malta	:	88.21	114.17	107.77	85.15	79.31	75.37	77.34
Netherlands	874.95	800.98	734.63	684.75	673.09	645.07	618.20	688.90
Austria	607.11	648.01	588.44	543.27	539.61	535.23	526.83	503.03
Poland	:	144.85	120.73	109.62	110.16	110.75	106.10	:
Portugal	242.98	322.48	310.73	320.68	294.40	286.99	248.43	274.13
Romania	:	15.45	32.63	54.05	75.98	71.01	63.33	58.78
Slovenia	:	224.69	245.17	237.61	226.93	217.69	188.33	181.08
Slovakia	54.04	70.72	75.23	87.85	106.52	108.16	109.35	111.81
Finland	837.40	703.06	729.16	719.47	742.48	706.04	685.32	674.24
Sweden	662.20	695.68	902.77	873.11	685.79	603.29	563.05	535.80
UK	556.38	555.00	575.01	487.39	474.24	443.06	416.27	397.72

Notes: ":" not available
Source: Eurostat Social protection expenditure disability function [spr_exp_fdi].

Table A3. Main elements of labour market integration policies for people with disabilities

	SHELTERED EMPLOY-MENT	WAGE SUBSIDIES	EMPLOY-MENT QUOTAS	MAIN PROVIDER AND TYPE OF REHABILITATION SERVICES		
					take-up	supported employment
Austria	+	++	bps	PES + BSA	++	national
Denmark	++	++		PES	++	local
Estonia				PES	+	local
Hungary	++	+	bps	PES	+	ngo
Netherlands	++	+	bp(s)	PES	++	national
Spain	++	+	bps	PES	+	regional, ngo
UK	+			PES	+	(limited, national) ngo

Notes: b=applies to business sector, p=applies to public sector, s=sanctions imposed on non-compliance…=no information available. +=exists, but not on a large scale, ++ =used on a large scale (take-up exceeds 20% of annual inflow into disability benefit). BSA=Bundessozialamt (federal social welfare agency).
Sources: COWI (2011), (EC 2011) and DOTCOM (http://www.disability-europe.net/dotcom) on rehabilitation services, Greve (2009) on sheltered employment and quotas; Eurostat; Mallender et al. (2015).



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