



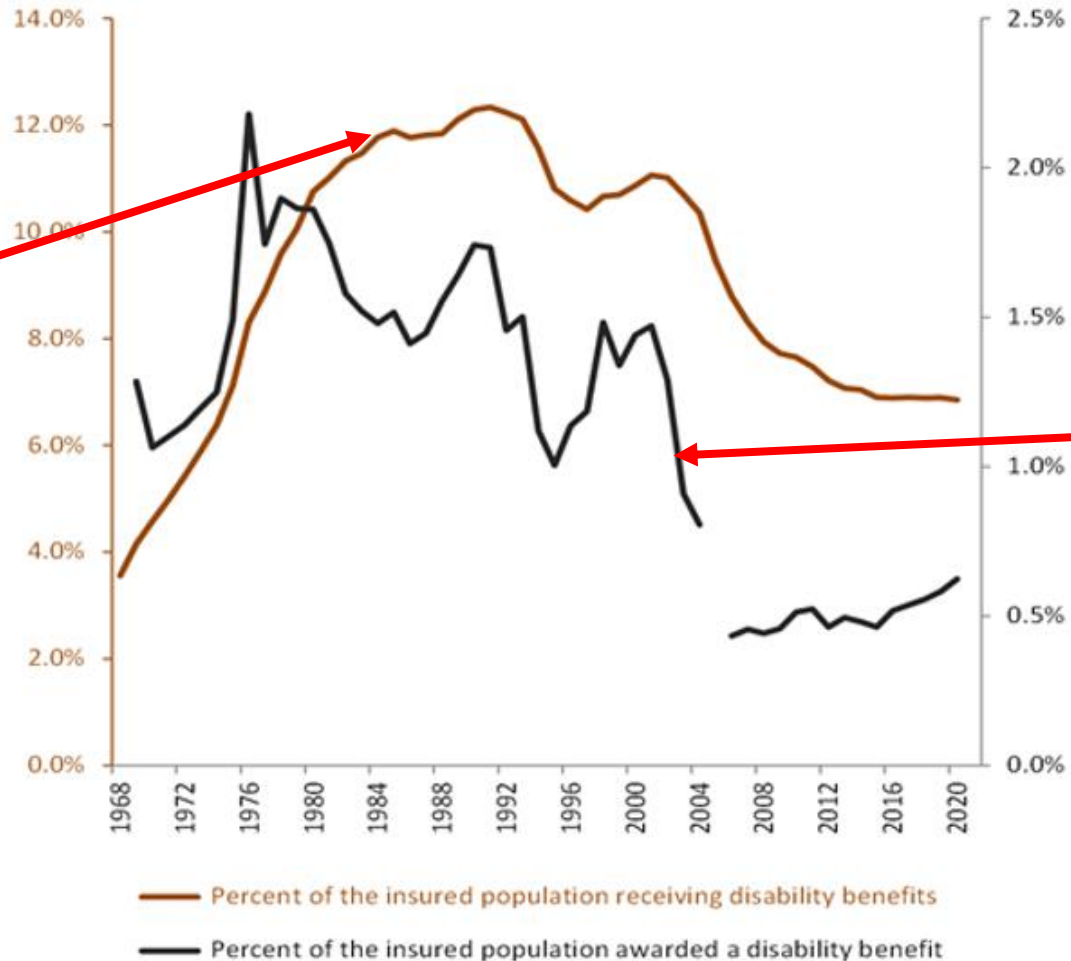
Lessons from the Dutch Disability reforms

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The rise and fall of disability enrolment in the Netherlands as a percentage of insured population

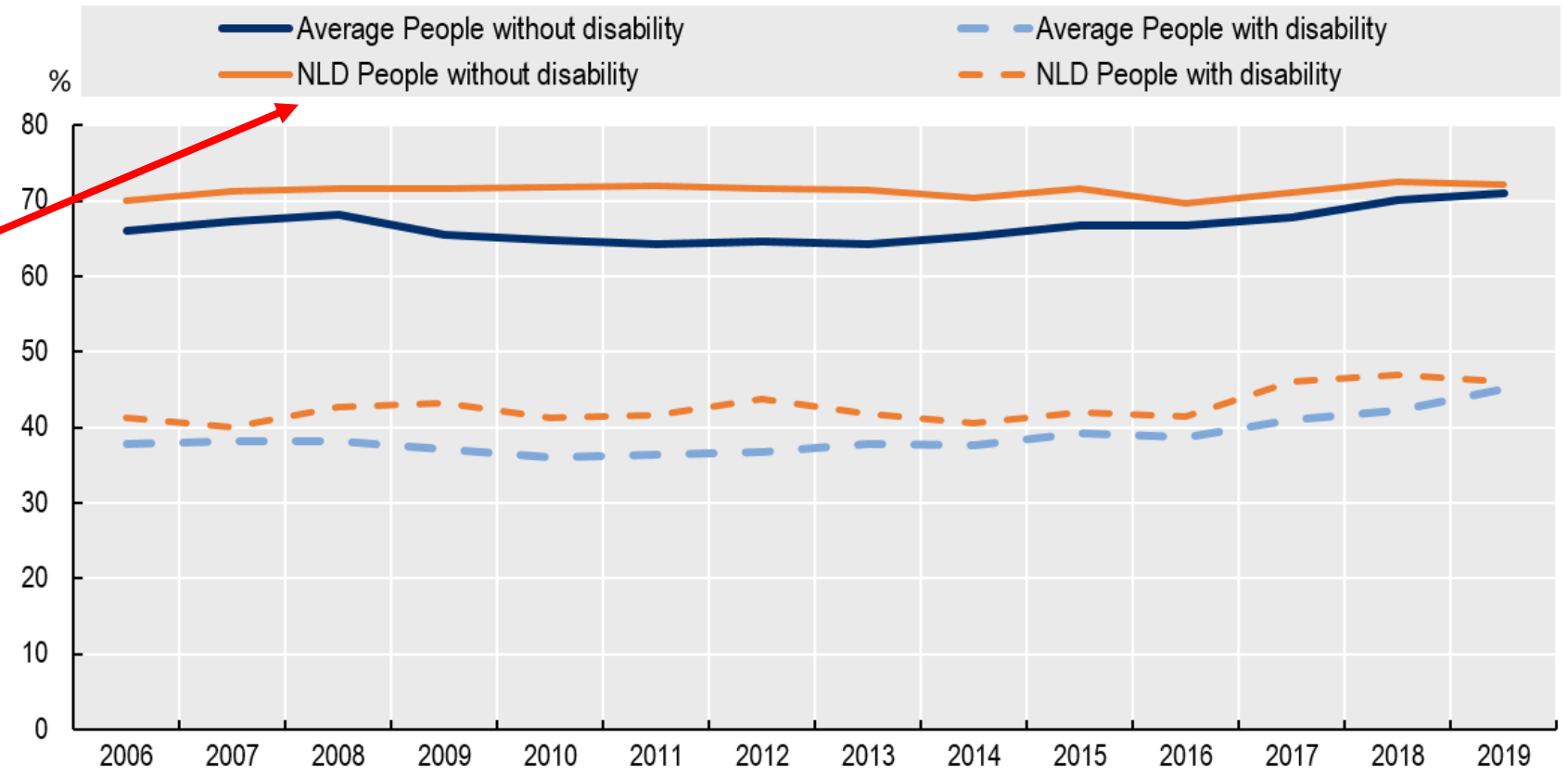
“Received” = Enrollment rate (“stock” of recipients; left-axis)



“Awarded” = Annual inflow rate of new DI recipients (right-axis)

Less DI enrollment, but not increased employment among (all) disabled (OECD 2022)

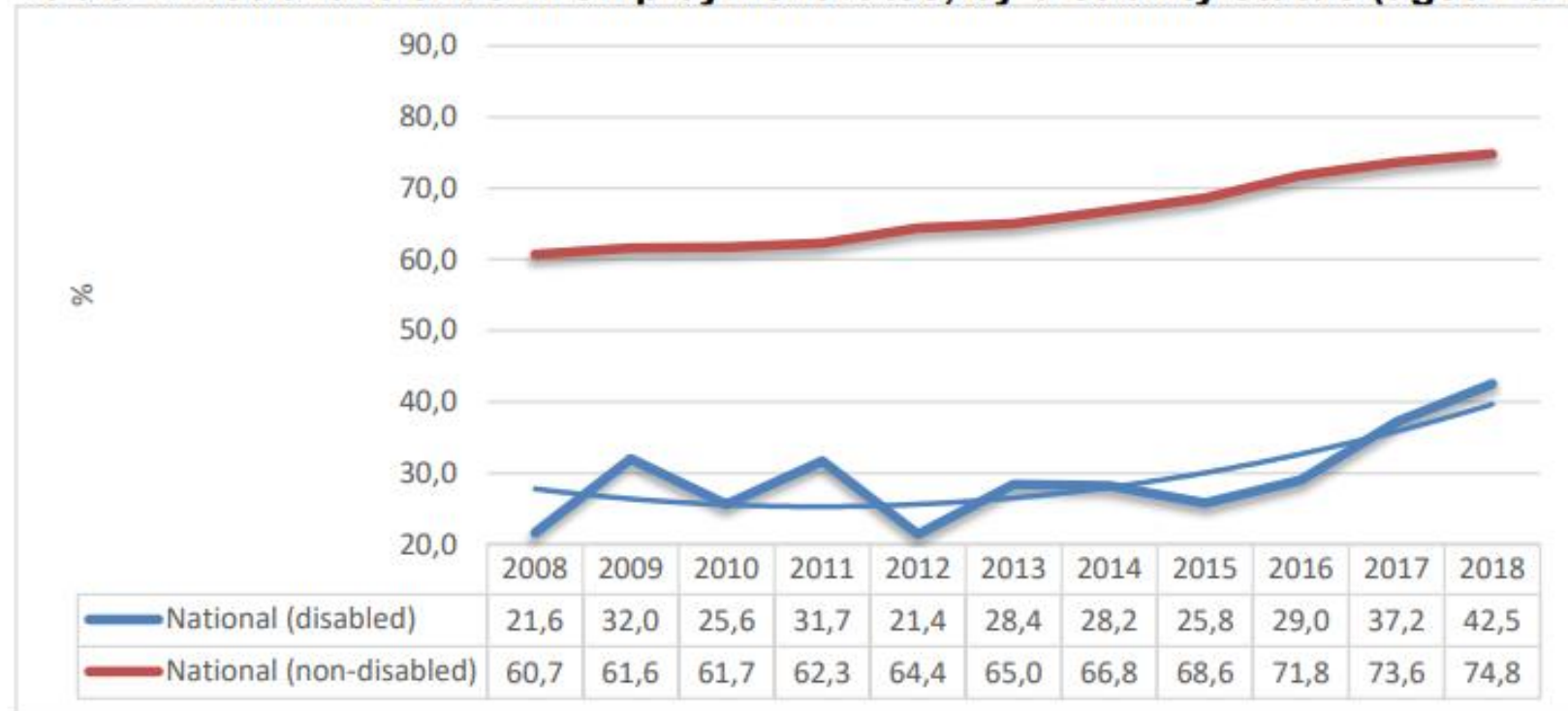
“NLD” =
The
Netherlands



Lower employment among disabled in Malta, but catching up (?)



Table 4: National trends in employment rates, by disability status (aged 20-64)



Source: EU-SILC 2018 Release 2020 version 1 (and preceding UDBs)

The “Dutch disease”

- Enrolment in Disability Insurance (DI) in Netherlands increased to unprecedented levels (nearing one million individuals)
- Benefit cuts, increased re-assessments and bonuses/maluses for employers did not seem to work, or only had a temporary impact
- Large substitution of unemployed into DI program in the eighties
- Since turn of the century, reforms effective!

Premier Lubbers: Nederland ziek



[1] The first wave of reforms (1995-2002): Increased employer incentives

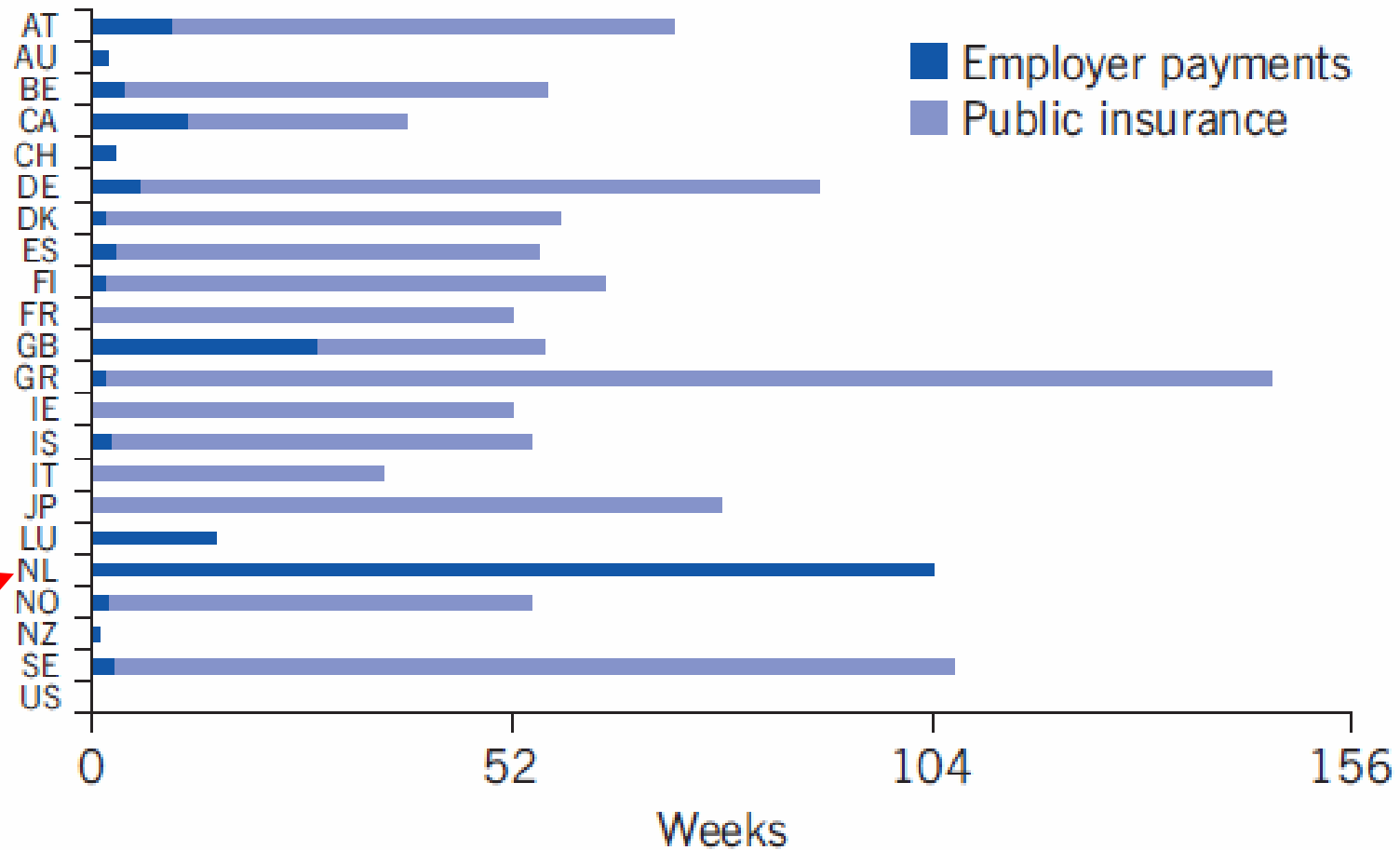
- Wage continuation in first and later also second year of sickness
 - At the cost of the employer
 - Next, DI benefit claims assessment
- Since 1998, premiums of first years of DI benefit receipt experience-rated
- Many employers have mitigated financial risks by buying policies against sick pay risk and (less) against DI-experience rating
 - “Opting-out” from public DI system

$$\frac{A_p + E_e}{E}$$

Ap = Actual Primary Losses Ee = Expected Excess Losses

E = Expected Losses

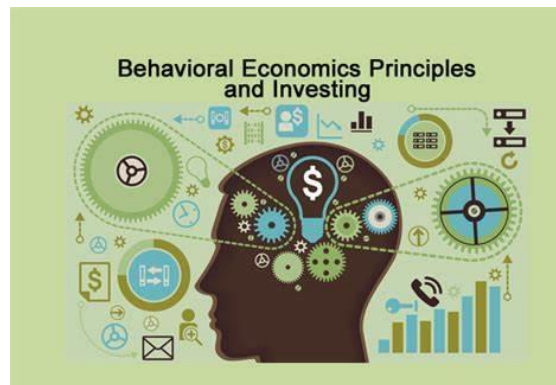
Mandatory employer sick pay and public insurance of sick pay across countries



Source: [1].

Employer incentives: did it work?

- Yes: evidence points at about 15% less inflow into DI due to experience rating (ER) (De Groot and Koning, 2014)
 - Effect with some delay, experience rating perceived as complex by employers
- Effects of ER smaller than of sick pay, since the extension of sick pay period from one to two years
- Incentives of sick pay more salient and effective than incentive of (complex) experience rating, also avoids stigma of DI



Where do firm incentives hurt the most?

- Surveys indicate employer support for the incentives and obligations: intrinsic support and ability to affect sickness and DI risks
 - 82% of employers find wage continuation “reasonable” (Panteia, 2014)
- Most problems arise in second year of sickness, when current employment is deemed no longer feasible



Employer incentives: unintended effects?

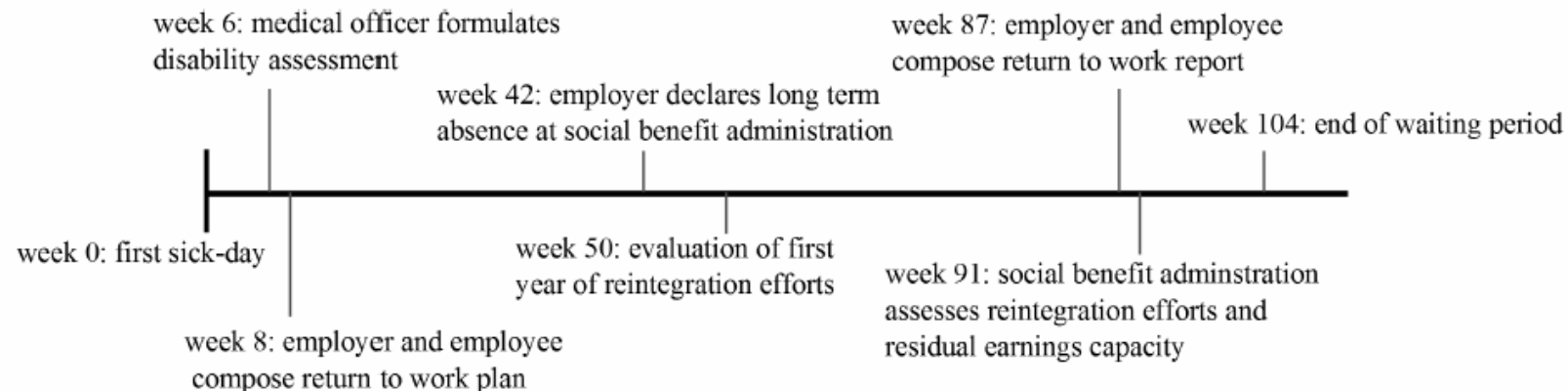
- Increased bankruptcies for the smallest firms: one-percentage point higher DI premium → 0.15 percentage point more bankruptcies
 - Higher premiums increase worker separation rates and lower hirings
- No evidence that workers with health problems have sorted into flexible contracts (Koning et al. 2022)
 - But there is evidence of less employer effort for flexible workers
 - It is likely that hiring decision is affected by the incentives – see earlier slide
- Large share of inflow into DI comes from workers receiving unemployment insurance!



[2] The Gatekeeper protocol (2002/2003)

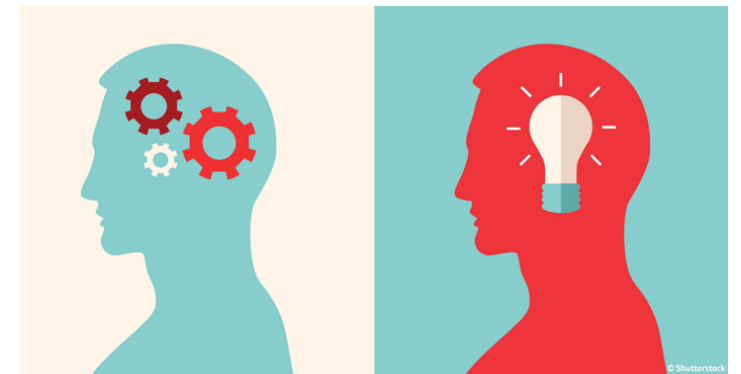
- Reintegration obligations for worker and employer in sickness period
- Substantial immediate and permanent impact on DI inflow: 35% less!
- Evidence suggests it screened out those with less impairments, but also more vulnerable workers

Figure 1: Time line of the gatekeeper protocol.

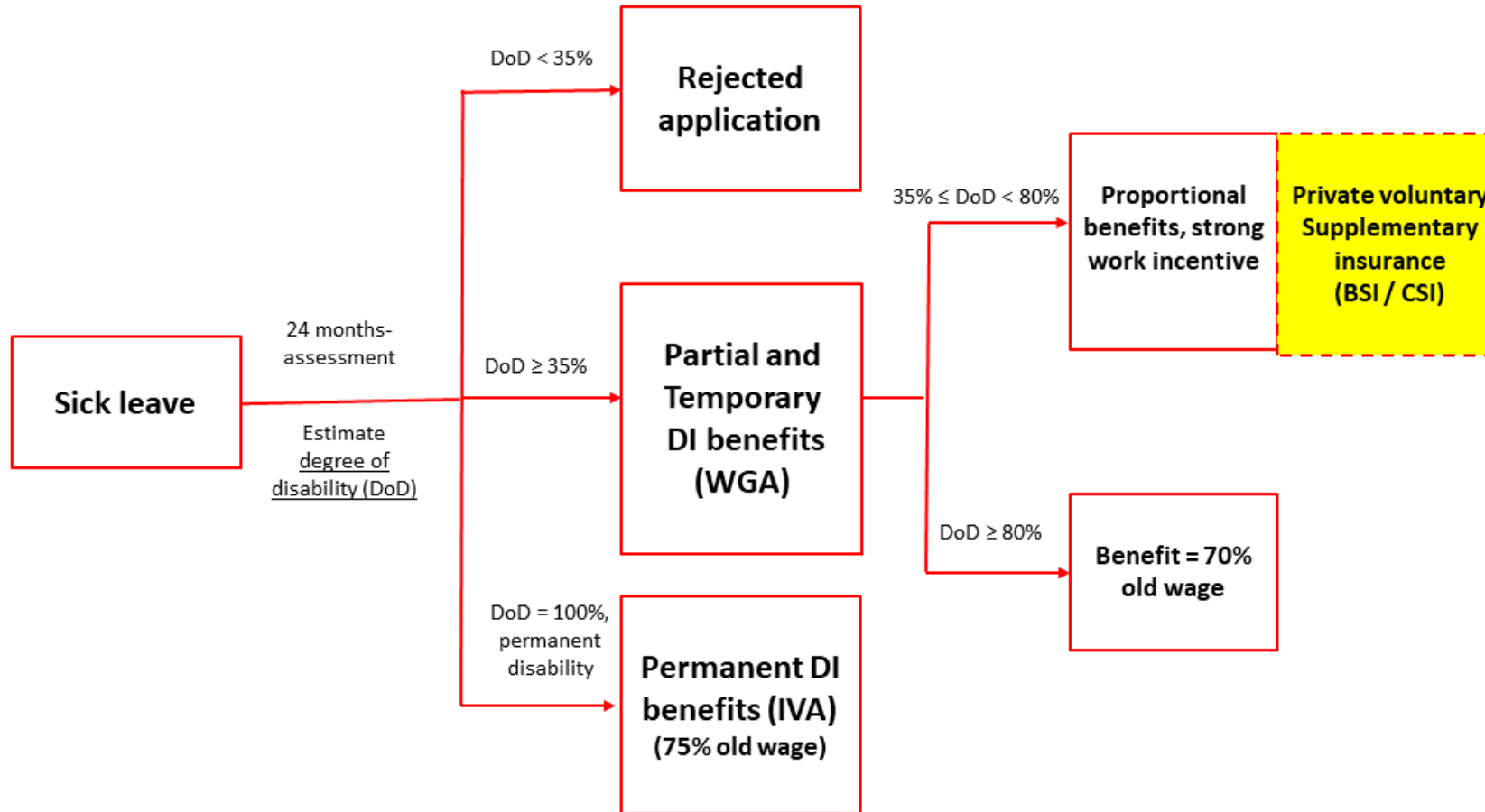


Why/how did the Gatekeeper protocol work?

- Screening effects AND pre-screening effects (Godard et al., JHR 2022)
 - Pre-screening of discouraged potential applicants with milder conditions
 - Screening at application uses information on reintegration during sickness
- Increased work accommodations, training and part-time work resumption during sickness
- Employers forced to act sufficiently early, otherwise no application
 - Large costs when not following the protocol!
- No pain, no gain!



[3] The disability reform of 2006 (WIA)



The disability reform of 2006 (WIA)

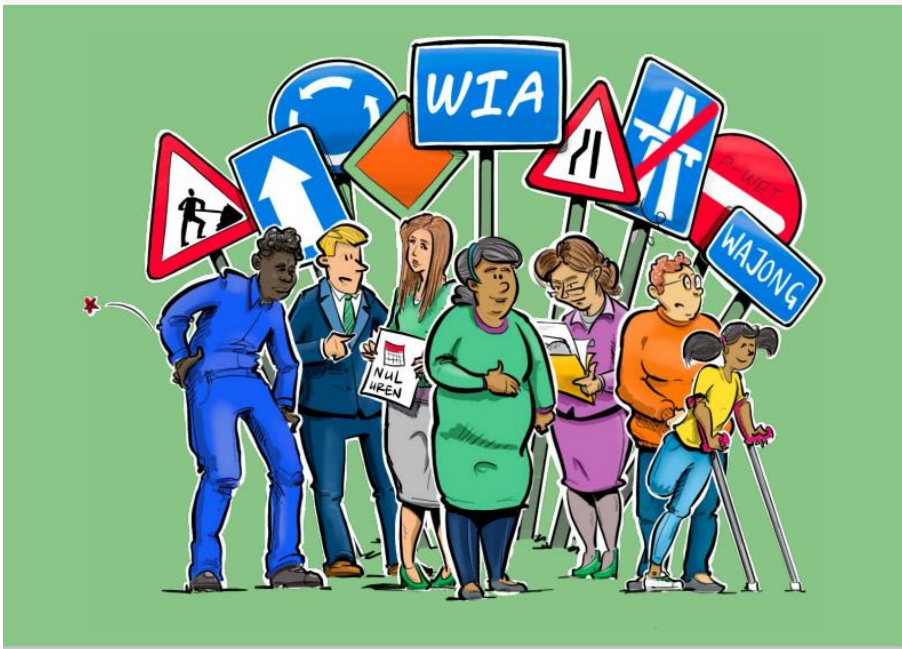
- Distinction between partial/temporary (WGA) and full/permanent scheme (IVA)
 - Employer incentives and worker incentives aimed at partial/temp disability
- Higher threshold for DI eligibility: at least loss of 35% of earnings capacity instead of 15%
- Apart from “mechanical” effect of lower threshold, no strong impact on DI inflow/outflow
- Reforms made scheme more complex and induced private supplementary insurance that partly offset incentives

Main lessons from the Dutch DI reforms

1. Employer incentives have potential, particularly when salient and complemented with clear protocols
2. DI reforms can be successful in curbing inflow rates, but do not necessarily increase employment of (all) disabled
 - Reforms may have contributed to segmentation of labor market
 - Additional policies needed for vulnerable groups
3. Specific schemes, based on the permanence and degree of disability, increase complexity of the DI system:
 - Adverse work incentives due to interfering sub-schemes
 - Medical assessment time consuming, long waiting times
 - Private insurers focus on risk selection

Current major DI problems and potential solutions (OCTAS committee)

Beoordeling van het arbeidsongeschiktheidsstelsel



1. Complexity of DI system, many actors involved
 - One DI scheme with equal conditions
 - Central management of information
2. Perceived unfairness by workers/employers
 - Lower threshold, lower cap on benefits
 - More leeway to move worker to other firm
3. Self-employed workers without insurance
4. Limited services for flexible workers and young handicapped
5. Long waiting times for claims assessment
 - Simplify assessment, delegation of tasks
6. Adverse work incentives
 - “Zero-benefits”, proportional incentives



Thank
You
For
Your
Listening