

### Abstract

This article first summarises the most important sickness and disability trends in OECD countries during the past 10-15 years and examines the possible driving factors behind the substantial rise in sickness and disability benefit use. These trends illustrate that despite the recent decade of strong economic growth, employment among persons with health problems has not increased and disability beneficiary rates have continued to rise. The recent economic downturn implies that labour market outcomes are likely to worsen; this poses additional challenges for sickness and disability policy. Using the ECHP survey (1994-2001), we estimate the impact of the economic cycle on employment prospects of people with disability. The results suggest that they are adversely affected by the the economic downturn compared to non-disabled workers. At the same time, the findings show that the economic cycle cannot alone explain the persistent increase in sickness and disability caseloads. Data show that the large hike experienced in disability recipiency rates became structural in nature in a number of OECD countries during post-recession periods. Indeed, for much of the 1990s and the early 2000s, unemployment rates were falling and yet rates of disability claims remained high or even increased in many OECD countries. Our analysis also shows that the overall compensation features of disability policy matter as they are positively related to the number of disability benefit recipients. This suggests that there is a strong need for continued long-term structural reform in labour market policies to curb the growing numbers of people claiming sickness and disability benefits.

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