

ISF Report 2013:7

# Young Adults on Disability Benefits

Swedish Social Insurance Inspectorate

Stockholm 2013

© Inspektionen för socialförsäkringen

# Summary

The Swedish Social Insurance Inspectorate (Inspektionen för socialförsäkringen, ISF) is an independent supervisory agency for the Swedish social insurance system. The objectives of the agency are to strengthen compliance with legislation and other statutes and to improve the efficiency of the social insurance system through system supervision and efficiency analysis and evaluation.

The ISF's work is mainly conducted on a project basis and is commissioned by the Government or initiated autonomously by the agency. This report has been initiated by the ISF.

## *Background*

The number of young adults claiming disability benefits due to reduced work capability has doubled in Sweden during the last 15 years. According to the Swedish Social Insurance Agency's forecasts, the number of young adults with disability benefits will continue to increase in the coming years. However, this is not only a Swedish phenomenon. A similar trend has been observed in other European countries.

## *Objectives*

The ISF has therefore initiated a study to compare the Swedish system and the incidence of young adults claiming disability benefits with the systems and developments in Denmark, Finland, Iceland, Norway, the Netherlands and the UK. The study also aims to identify policies that could contribute to further development of the Swedish system for young adults with disability benefits.

The study will also be published in English in spring 2013.

## *Methods*

The study uses a qualitative approach. In addition to a documentary study, interviews have been conducted with representatives of the responsible authorities in the countries being studied. In total 26 individuals were interviewed.

## *Findings*

The study shows that the increasing trend among young adults to claim disability benefits in Sweden is far from unique in a European context. In 2011, just over 2 per cent of the age group, 19 – 29 years, were claiming disability benefits in Sweden. During the time period studied (1998 – 2011), the equivalent figure for Iceland and the UK was nearly 3 per cent and in the Netherlands, the figure fluctuated between 3 and 4 per cent. Norway has had a similar development to Sweden, with a constant increase of young adults with disability benefits, although the ratio has always been higher in Norway than in Sweden. With the 2010 reform of the Norwegian system a new benefit was introduced, which resulted in a rise in the proportion of young adults with disability benefits. In 2011, almost 5 per cent of the age group was claiming a disability benefit. In the countries studied, only Denmark and Finland had a lower proportion of young adults with disability benefits than Sweden. In these countries, about 1.5 per cent of the age group was claiming disability benefits in 2011. The number of males claiming disability benefits was slightly higher than the number of women in Finland, Denmark and the UK. In the Netherlands, Norway and Sweden, the distribution was relatively even between the sexes, although Iceland had a slightly higher number of females with disability benefits.

In all the countries studied, mental and behavioural disorders was the most common diagnostic group among young adults on disability benefits. In Sweden, 76 per cent of all new claimants on disability benefits had a mental health diagnosis in 2011. For the other countries the prevalence ranged between 58 and 80 per cent in the corresponding age group.

ISF's comparison of the national systems shows that there are relatively large differences in terms of regulations, the case-handling process and policies to assist young adults with disability benefits in strengthening their work capability. However, it is clear that these countries face similar challenges, as they have a relatively high ratio

of young adults with reduced work capability claiming disability benefits, who often are quite far from the labour market. Subsequently, there could be a great deal to learn from other countries' experiences and knowledge through enhanced exchange and cooperation. The policies being enacted in the countries studied that the ISF considers to be of special interest to study and discuss further with regard to the further development of Swedish system for disability benefits for young adults include:

*Different requirements for rehabilitation activities for different groups*

Unlike Sweden, where most activities aimed at strengthening work capability are voluntary for this group, several of the other countries studied have chosen to have different requirements for participation and involvement in activities for different groups, depending on the degree of incapability and duration. Individuals with reduced work capability who are assumed to be capable of returning to the labour market in the future are expected to attend and actively participate in various rehabilitation activities, while these activities are optional for those who are generally not assumed to be able to leave the benefit system. This could be a possible model to consider for the Swedish system.

*Positive economic incentives*

Finland and the Netherlands have introduced positive economic incentives for individuals claiming disability benefits who are actively participating in rehabilitation activities. In the Netherlands, individuals claiming disability benefits have a right to keep parts of the income they earn while attending these often work-related activities, on top of their guaranteed disability benefit. In Finland, individuals with disability benefits from the earnings-related pension scheme receive a higher benefit rate if they participate in rehabilitation. Further economic incentives in the Swedish system could be considered.

*Work-related activities*

Countries such as Norway, the Netherlands and the UK have a particularly strong employment policy for individuals with disability benefits who are assumed to be able to strengthen their work capability and thus be integrated into the labour market in the future. The rehabilitation activities offered to support these individuals to strengthen their work capability are often work-related activities or

supported employment. In the Netherlands, the policy is that all individuals who have the capacity should attend work-related rehabilitation or supported employment. However, there is a wide range of such activities that are tailored to the specific needs of individuals claiming disability benefits. Sweden could offer more work-related activities to a broad group of claimants on disability benefits.

#### *Different benefit rates for different groups*

In some of the countries studied, there are different benefit rates for individuals claiming disability benefits. This creates a distinction between claimants who have a time-limited benefit and those who have a benefit on a permanent basis. The latter group often receives a higher benefit rate. The rationale is that those who have no or little opportunity to earn a living through gainful employment should be able to live a more economically comfortable life. This could be a possible model to consider for the Swedish system.

#### *Disability benefits for prolonged schooling*

In Sweden, young adults attending special schools may claim disability benefits as of July in the year they turn 19. There is no equivalent to the Swedish system of providing disability benefits for prolonged schooling in the countries studied. In the Netherlands, claimants on disability benefits, who attend school or education after the age of 18, are entitled to a certain benefit rate. However, there are differences in the benefit rates. In Sweden claimants on disability benefits for prolonged schooling are granted a full disability benefit, while claimants who attend school or education only receive 25 percent of the corresponding benefit rate in the Netherlands.

As stated in a previous report by the ISF, the design of the Swedish system for disability benefits for prolonged schooling should be further investigated.

#### *Monitoring and evaluation*

In Sweden, there is a knowledge gap on a national level about what kind of rehabilitation activities are offered to young adults with disability benefits, and which types of activities tend to be more successful in supporting these young adults in strengthening their work capability. A similar knowledge gap exists in many European countries. However, there are interesting examples of systematic monitoring and evaluation of activities offered within the social security scheme in Norway and Finland.