Getting all incentives right

Disability insurance reform in the Netherlands

Washington, December 2013
US vs NL (beneficiaries per 1000 workers, 1970-2010)
Key results and key success factors

Key results
1. More people working. Expected maximum of 0.5 mln instead of 1.2 mln beneficiaries.
2. Savings $4 billion.

Key succes factors
1. Broad consensus in politics and among social partners that a reform of disability system was needed.
2. Wide spread mind shift: work first.
3. New disability system built on the principle: getting all (financial) incentives right.
   a) Employees / beneficiaries
   b) Employers
   c) Public and private insurers
   d) Besides the legal system, also reducing the private top-ups on the legal benefits
DI-inflow (in thousands), 1990-2012
What caused the drop in entries to DI?

• Two years wage paying period / waiting period before DI entitlement
• Effective Gatekeeper protocol, including sanctions
• Stricter eligibility standards
• Distinction between permanent (26%), temporary fully disabled (53%), and partly disabled (21%)
• Strong work incentives for partly disabled
• Experience rating for firms in financing DI benefits
• Competitive market for sickness and disability benefit insurance and level playing field for public and private insurers.
Challenges for next years

- Introduction of similar incentives for employers of increasing number of employees on flexible contracts
- Stable and competitive insurance market and level playing field between public and private insurers
- Tackling the debate about permanency and reviewing the status of temporary fully disabled
- Research of possible issues during the two years wage paying period.
- Reforming the scheme for disabled at a young age.
Structure DI-system

Assessment

80-100%
- No recovery
  - IVA-benefit

35-80%
- Recovery possible
  - Temporary: wage-related benefit
  - If working: wage supplement
  - If not working: minimum follow-up benefit

0-35%
- Not Working
  - Unemployment-benefit
- Working