Long-Term Disability Programs in Selected Countries

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In 1985, the Social Security Administration commissioned an 18-month research project to study disability in eight industrialized countries: Austria, Canada, Finland, the Federal Republic of Germany, Israel, the Netherlands, Sweden, and the United Kingdom. The study focused on three key areas: (1) the initial determination of disability, (2) the methods of monitoring disability, and (3) the incentives to return to work. Although the study revealed great variations among the countries in the definition of long-term disability, the approach followed in providing benefits, and the organization and features of the programs, some basic similiarities were also found. Among the similarities are: (1) most countries have several income-maintenance programs to protect workers in the event that they are disabled, and (2) the disability test to determine whether a person is eligible for a disability benefit is ambiguous in that the various programs each have different eligibility criteria, different definitions of disability, different considerations given to labor-market conditions, and so forth. This article examines the diversity among the countries and attempts to highlight unique approaches to adjudicating disability, providing linkages to rehabilitation, and creating incentives for returning to work.

This article compares key features of social security long-term disability programs in eight industrialized countries.[1] The countries whose program features are surveyed are: Austria, Canada, Finland, the Federal Republic of Germany, Israel, the Netherlands, Sweden, and the United Kingdom. These countries have long-term disability programs that provide examples of the major forms of this protection worldwide. A chart highlighting the chief characteristics in the countries studied is included as Appendix I.

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[1]The information in this article is based on the findings that resulted from a Social Security Administration funded research project conducted by Rehabilitation International in 1985-86. Country experts obtained the questionnaire responses; the Bureau of Economic Research, Rutgers University, computerized the data and completed the analysis under the direction of Dr. Monroe Berkowitz.

Overview

Most of the countries in the study have three public income-maintenance programs to protect workers in case of disability. The three programs, generally administered on the basis of different legislation and criteria, and sometimes including different definitions of disability, are: (1) cash-sickness benefits for short-term illness or injury, (2) disability pensions for long-term illness or injury,[2] and (3) work-injury benefits for illness or injury that either occurs at the workplace or during a normal workday or is a result of the work environment. The Dutch eliminated the work-injury program, and thus make no distinction between an injury or illness that is work related and one that is not work related. Income loss caused by injury or illness is covered by the cash sickness or

[2]In most foreign social security programs, the term "invalidity pension" is used instead of "long-term disability pension."

long-term disability pension programs in the Netherlands.

Furthermore, most countries also provide means-tested benefits to disabled persons, whether or not they are in covered employment, when individual or family resources are determined administratively to be inadequate to meet subsistence or special needs. In addition to the three national income-maintenance programs for those with disabilities, separate systems may exist for specialized occupations such as mining, seafaring, railroading, public employment, agriculture, and to cover the self-employed. These separate systems may provide protection based on each system's definitions and criteria for evaluating incapacity. This article does not deal with these means-tested or work-injury programs or with special systems, but instead concentrates on the programs that provide long-term disability benefits for the majority of the populations.

In addition to the disability pensions themselves, most of the eight countries studied also provide a range of supplementary benefits and allowances to enable a disabled or handicapped individual to cope more easily with everyday life. The nature of these supplementary benefits varies greatly from country to country, as do the requirements for eligibility. Often, however, entitlement to these benefits or allowances is determined regardless of the individual's eligibility for a disability pension. In other words, the effect of the disabling condition on the individual's ability to function is assessed apart from the question of capacity to earn. Some of these additional benefits are explored in more detail where appropriate, but some examples include mobility benefits, attendance allowances, and benefits for disabled children.

Types of Long-Term Disability Pension Coverage

In terms of disability pension coverage, two broad approaches are identifiable among the various methods used to provide cash benefits during periods of long-term illness or injury. The first approach—a **universal program**—provides a disability benefit to all qualified residents and supplements to their dependents regardless of employment status. The second approach—an **earnings-related social insurance program**—provides a disability benefit to qualified workers and supplements to their dependents. Under both types of programs, those qualified can claim benefits as a matter of right. Typically, social security systems with a universal disability pension program also have a second-tier earnings-related program.

Universal programs provide flat-rate cash benefits to qualified disabled residents or citizens without respect to income, employment, or assets. In some of the countries that have universal programs, a portion of the funding for the program comes from employers' contributions, although, in most cases, the major part of the funding comes from general revenues.

Earnings-related systems base eligibility for a disability pension directly or indirectly on length of covered employment; the amount of the pension is usually related to periods of covered employment as well as to the level of the worker's earnings before onset of illness or injury. These programs are financed primarily from compulsory payroll contributions—by employers, workers, or both.

In most of the countries studied, the government also contributes toward financing the disability pension program. In some cases, this government contribution is a specific percentage of program costs; in others, the government makes up any program deficit; and, in still others, it pays for coverage of specific population groups who otherwise would not be insured.

The countries included in this study exemplify the following approaches:

- Universal disability pension programs with earnings-related components (Finland, the Netherlands, and Sweden).
- Earnings-related disability pension programs (Austria, Canada, Israel, the Federal Republic of Germany, and the United Kingdom).

Concepts of disability vary greatly from country to country and even within a country, depending on the specific programs. Because several of the countries have more than one disability program applicable to different segments of their population or for different degrees of disablement, a brief description is provided below concerning the programs discussed in this study. For the most part, however, the analyses in this study are limited to disability that results from nonwork-connected impairments (except for the Netherlands, where no distinction is made) covered under the country's general earnings-related social security system. (In countries with a two-tiered program, the first-tier data are also given where appropriate.)

Austria

The pension insurance system in Austria is divided into two programs. The first provides Occupational Incapacity benefits to "white-collar" employees, and the second provides Invalidity Pensions to "blue-collar" workers. The two programs are essentially parallel in that the person's ability to earn must be reduced to less than half that of a nondisabled person with similar training, knowledge, and capabilities.

Canada

The Canada Pension Plan is the national social security program (except in the province of Quebec, which provides benefits under the comparable Quebec Pension Plan) that covers all previously employed individuals aged 18-65 who become totally incapable of work because of a disability that is likely to be of long duration or result in death.

Finland

In Finland, The National Invalidity Pension program provides a minimum flat-rate pension to men and women aged 18-65 who, because of an illness, handicap, or injury, are unable to support themselves through their usual work or any other kind of work. The Employment Pensions and Disability Pensions programs also provide wage- or earnings-related pensions to employees in the public or private sectors who, because of an illness, handicap, or injury that is expected to last at least 1 year, become incapable of work.

Federal Republic of Germany

In West Germany, an Occupational Incapacity (semi-disablement) pension is paid to insured persons whose ability to earn at their own or any other suitable job is reduced to half that of a nondisabled insured person with similar training, knowledge, and abilities. An Earnings Incapacity (total disability) pension is paid to insured persons of any age who, due to physical or mental illness or disablement, are unable to achieve any earnings at all or only at very low levels.

Israel

Israel's National Insurance Institute pays general disability benefits to individuals aged 18-65 (age 60 for women) who meet all of the following criteria: (1) their earnings capacity has been reduced by at least 50 percent because of illness or disablement, (2) their medical disability is at least 40 percent, and (3) their functional disability is at least 50 percent. (There are special criteria for disabled children and housewives.)

The Netherlands

In the Netherlands, the General Disablement Insurance Act (GDIA) covers all disabled persons under age 65 with at least a 25-percent disability who have previously been in paid employment or who became disabled before age 17. The benefit is payable at a flat rate based on the degree of disability. The Disablement Insurance Act (DIA) covers employed workers aged 15-64 who have at least a 15-percent disability. The benefit (paid in addition to the flat-rate benefit to those who qualify) is income-related and based on previous earnings and degree of disability. For both the GDIA and the DIA, the degree of disability is determined by the individual's reduced earnings capacity.

Sweden

In Sweden, a basic (flat-rate) benefit is payable on a universal basis to persons aged 16-64 whose work capacity has been reduced at least 50 percent, regardless of their financial need or previous attachment to the labor force. A supplementary pension pays an earnings-related disability benefit (in addition to the basic benefit) to disabled workers with sufficient contributions. These supplementary benefits are awarded for varying degrees of disability (that is, for 50-percent, 66.6-percent, and 100-percent disability).

United Kingdom

In the United Kingdom, an Invalidity Benefit is payable to employed (including self-employed) individuals with sufficient contributions who are aged 16-69 (64 for women) whose illness or disability has made them continuously incapable of work for 28 weeks. The benefit consists of a flat amount plus an earnings-related component depending on previous contributions. In addition, a Severe Disablement Allowance is payable, regardless of need, to those with insufficient or no contributions whose illness or disablement has also made them continuously incapable of work for 28 weeks. For those who become incapable of work before age 20, the benefit is paid on the basis of their incapacity alone. Those who become incapable of work after age 20 must be at least 80-percent disabled (measured on the industrial injuries scale of loss of faculty).

Disability Stages

In most industrialized countries, long-term disability benefits begin only after illness or injury has prevented the insured from working for a prescribed period of temporary, or initial, incapacity. Long-term disability benefits typically terminate upon: (1) recovery, (2) death, or (3) attainment of statutory pensionable age—whichever occurs first.

Most industrialized countries also have cash sickness insurance programs that provide income replacement during a short-term or temporary illness or injury. Such programs provide cash benefits, usually for the first 26 or 52 weeks of illness, until the claimant is cured, determined permanently disabled, or dies.

In national systems that distinguish between short-term and long-term incapacity, the definition and evaluation of disability are interrelated in the two programs. In other words, the determining body that awards a disability pension is usually involved from the early stages in the evaluation of temporary incapacity and, consequently, becomes familiar with the claim from the onset of the incapacity. Furthermore, this same organization may itself be responsible for instituting rehabilitation or for referral to rehabilitation programs directed at preventing long-term disability at an early stage.

Earnings-Related Long-Term Disability Programs

Coverage

The right to, or opportunity for, coverage differs from country to country and even from program to program. For example, in countries with a two-tiered system, disabled individuals with insufficient or no previous work history (such as those disabled from birth or housewives) would usually not be eligible for the earnings-related disability benefit, but would still receive the basic flat-rate benefit.

On the other hand, the self-employed are treated differently from one country to another with respect to disability coverage. Canada, Finland, Israel, Sweden, and the United Kingdom have compulsory coverage, not only for wage and salary earners but also for self-employed workers. In Austria, the self-employed and those who wish to continue coverage after employment has ceased may voluntarily pay into the system. Similarly, in West Germany, the self-employed as well as others exempt from the program, such as housewives, may voluntarily contribute to the system.

By contrast, in the Netherlands the self-employed are not eligible for the supplementary system of additional benefits under the earnings-related program. However, the self-employed as well as those disabled since birth are covered under the basic program. Disabled housewives, although not eligible for cash benefits under either Dutch program, nevertheless receive rehabilitation and in-kind benefits under the basic program.

In Israel, the criterion for disability coverage is residency, not employment. Therefore, in addition to paying disability benefits to previously employed individuals, the National Insurance also pays both cash and in-kind benefits to severely disabled housewives and disabled children aged 3-18. However, the definition of disability is more strict (that is, a greater degree of disability is required) for a housewife than for someone with a work history.

Financing

In six of the countries studied, disability pensions are funded by contributions from both employers and employees to the old-age, disability, and survivors (OASDI) branches of the social security programs: Austria, Canada, West Germany, Israel, the Netherlands, and the United Kingdom all use this method. In some countries that use the combined OASDI contribution approach, the percentage of the total tax used to finance the disability program is not identified separately. Only in Israel and the Netherlands is there a single identifiable tax for the disability program.

The six countries also vary in the way that contributions are assessed. In Canada and West Germany, the employer/employee contributions are equal; in the other four countries, there are various combinations (see Appendix II for percentages).

Only Finland has a system of earnings-related disability pensions financed entirely from premiums paid by employers, with no contributions from employees or the government. The Finnish earnings-related pensions are administered by private insurance companies, funds, and foundations with government supervision to ensure solvency and adherence to the pension laws.

The Swedish disability program is two-tiered. Tier one, which provides universal disability pensions to citizens and aliens aged 16-64 who are disabled and who fulfill certain residence requirements, is financed by employers and the self-employed—who contribute 9.45 percent of payroll and assessable income, respectively—as well as by a government subsidy of about 25 percent. Employees do not contribute. Tier two, which provides an earnings-related disability benefit, is also financed by employers and the self-employed, who contribute 10 percent each. Again, employees do not contribute. The Swedish government makes no contribution to the earnings-related disability pension program.

The financing provisions for the disability programs in the countries studied are shown in greater detail in Appendix II. With the exception of Israel and the Netherlands, the contribution rates cover more than just the disability pension program.

Early Identification of the Long-Term Disabled

As indicated earlier, the typical sequence of income-maintenance benefits for the disabled is: (1) a short-term cash sickness benefit, followed by (2) a long-term disability pension, followed by (3) an old-age benefit. Each of the eight countries studied has some form of cash-sickness benefit that spans the time from the onset of illness (usually with a short waiting period that ranges from 1 day to 2 weeks, depending on the country and program) to recovery or qualification as a disability pensioner. Israel is the only country of the eight that does not provide such a benefit as part of its social security program; however, employers are statutorily required to provide a maximum of 90 days' paid sick leave. In the United Kingdom and West Germany, employers provide cash sickness benefits initially, followed by cash sickness benefits under the social insurance program.

The following tabulation shows the period for which cash sickness benefits are payable by the social security program in the eight countries surveyed.

Country	Maximum duration of cash sickness benefits
Austria	78 weeks
Canada	15 weeks (paid under unemployment insurance)
Finland	52 weeks
Federal Republic of Germany	[1]84 weeks
Israel	[2]None
Netherlands	52 weeks
Sweden	[3]90 days
United Kingdom	[4]28 weeks

[1]Employer pays first 6 weeks; social security program provides for next 78 weeks within 3 consecutive years.
[2]Employer pays 90 days.
[3]Technically, there is no limit; however, the regulations state that if workers have been in receipt of a cash sickness benefit for 90 consecutive days, insurance offices are to consider them for rehabilitation.
[4]Employer pays first 8 weeks; social security program provides for the next 20 weeks.

Rehabilitation

Great variation exists in the delivery of rehabilitation services among the countries studied. For example, rehabilitation may be: (1) provided directly by the social security institution through its sickness fund, (2) provided indirectly by the sickness fund in its referral of a client to a rehabilitation provider, (3) provided by a different government agency, such as a local government component, (4) coordinated between the social security institution and another government body, such as the labor department, or (5) left to the individual to obtain independently through private medical insurance or other means.

If the country has incorporated a cash sickness benefit program into its social security system, then often the rehabilitation process begins while the individual is receiving cash-sickness benefits. In this case, the health insurance fund typically would be aware that a person had been in receipt of sickness benefits for a given period (generally about 2 months) and would investigate whether any rehabilitation measures would be appropriate at that point. Depending on the particular country, the sickness fund itself may provide the rehabilitation or refer the claimant to a rehabilitation provider. This is the usual procedure in Austria, Finland, West Germany, the Netherlands, and Sweden.

Although sickness benefits are not provided as part of the social insurance program in Israel, the great majority of the population is insured through the Labor Federation and, therefore, the opportunity for early identification exists through a similar mechanism.

In countries where there is close linkage between the agency or program that pays cash sickness benefits and that which awards disability benefits, the rehabilitation process is usually begun early and vocational rehabilitation may be integrated with medical rehabilitation as soon as feasible. In such countries, medical rehabilitation is usually provided first, with the goal of enabling the client to function as independently as possible. Depending on the outcome of the medical rehabilitation, the individual may or may not be offered vocational rehabilitation services.

An example of this emphasis on rehabilitation occurs in Israel, where the disabled person is offered rehabilitation services if there is as little as a 20-percent medical disability, even though eligibility for a disability pension per se requires at least a 40-percent medical disability and a 50-percent loss of earnings capacity. (See table 2 in the "Qualifying Conditions—Medical" section.)

West Germany puts great emphasis on providing rehabilitation as early as possible. Rehabilitation is part of the West German social security system's national health insurance program and is provided through its various sickness funds as part of the patient's treatment. The claimant is usually required to undergo medical rehabilitation and, if indicated, vocational rehabilitation before a decision to award a disability pension is made. The operative principle in West Germany is, "rehabilitation takes priority over the granting of a pension." The client is expected to cooperate in the vocational rehabilitation program although he or she cannot be forced to do so. The health insurance program also cooperates with the local employment offices in determining vocational rehabilitation strategies. West German program experts believe that, in 90 percent of all cases referred for rehabilitation while in cash-sickness benefit status, this early medical rehabilitation makes it possible for individuals threatened with disability to return either to their former job or to a new position elsewhere within the same company.

Countries vary greatly as to whether all claimants are referred automatically to vocational rehabilitation or whether only those believed likely to succeed are referred. In some of the countries studied, vocational rehabilitation services are available but not automatic, depending on a variety of factors such as the claimant's medical condition, age, education, and the likelihood of reintegration into the workforce. In Sweden, vocational rehabilitation is offered automatically to all disability benefit recipients, but the general criterion used by the assessing agency in referring individuals for vocational rehabilitation is that the recipient, after vocational retraining, should be able to earn at least half of what he or she earned before becoming disabled.

In Austria and the Netherlands, a separate claim must be filed for vocational rehabilitation services. In Finland, vocational rehabilitation is granted "only after consideration"—that is, after an evaluation of the claimant's likelihood for successful reintegration into the workforce based on the factors mentioned above.

As indicated, the eight countries differ not only in the linkages between medical and vocational rehabilitation but also in the linkage between those rehabilitation services and entitlement to a disability pension. Even among countries where close linkages exist, practices differ concerning whether failure to cooperate in vocational rehabilitation will result in denial or cancellation of disability benefit entitlement. Usually, however, the person is expected to cooperate in the vocational rehabilitation program. Cooperation is required to ensure continuation of disability benefits in Finland, West Germany, Israel, and Sweden, unless there is good cause for not participating. In Austria, the payment of benefits does not depend on the individual cooperating with vocational rehabilitation measures. In the Netherlands, provisions exist for requiring such cooperation, but, in practice, they are not often used.

In a few countries, little or no linkage exists because the providers of vocational rehabilitation are different from those who determine eligibility for disability benefits. In Canada, for example, there is no social security linkage per se since the Canada Pension Plan does not provide or sponsor rehabilitation services. However, vocational rehabilitation is available on the provincial level, with the federal government sharing the cost.

The situation is similar in the United Kingdom, where vocational rehabilitation is administered, funded, and usually provided by the Manpower Services Commission, a nongovernmental body that reports to the Secretary of State for Employment. Therefore, there is no formal connection with the Department of Health and Social Security, which administers the disability pension program. Referral to vocational rehabilitation is not automatic in the United Kingdom but instead depends on the assumption that the individual will be capable of work after training. Therefore, if an individual is referred for vocational rehabilitation, there is a presumption of capacity to work and, thus, refusal to cooperate could result in cessation of an unemployment benefit, but not a disability benefit.

Concurrent Work-Injury Benefits

Except for the Netherlands, all the countries studied have a work-injury benefit program in addition to their general disability program. A person may qualify for more than one program in Finland, Sweden, West Germany, the United Kingdom, and Israel; however, in most cases in these five countries, an offset provision prevents a person from receiving full benefits from both programs if they are paid for the same occupational illness or disease. On the other hand, in Austria, a person entitled to receive benefits under more than one program receives full compensation from each. In most of the Canadian provinces, Canada Pension Plan (CPP) benefits are not offset against work-injury benefits provided under provincially operated programs. In a few provinces, however, where work-injury benefits represent a higher earnings-replacement rate, CPP benefits are subject to offset.

Qualifying Conditions—Nonmedical

Before evaluating or applying the definition of disability, most social insurance systems typically require that the person meet an insurance requirement as well as an age requirement. Once it has been determined that the claimant satisfies the nonmedical criteria, disability assessment begins.

Time and Recency of Work

To be considered for a disability pension, most countries first require the claimant to have had a minimum period of work and/or insurance contributions. Also, in some of the countries surveyed, that period must be closely linked to the onset of illness or injury (recency of work). Specific work, or insurance requirements, applicable in the countries surveyed are shown in table 1.

Table 1.—Time and recency of work

Country	Period of contribution	Recency of work
Austria	240 months	60 of last 120 months
Canada	1/3 of the years elapsing since affilation	5 of last 10 years
Federal Republic of Germany	60 months	36 months within 5 years before disability onset
Finland	None	1 to 4 months, depending on program
Israel	None	None
Netherlands	Contributions paid at time of disability onset	Contributions paid at time of disability onset
Sweden	None	None
United Kingdom	Contributions in any tax year at a specific minimum amount	Contributions at a specific minimum amount in year preceding disability onset

Age Factor

Most countries impose an upper age limit for receipt of a disability benefit. This age limit corresponds to the normal retirement age when a claimant qualifies for an old-age pension. (For discussion of conversion from a disability to old-age pension at retirement, see the "Conversion of Benefits" section at the end of this article.) A few of the countries studied (Austria, Israel, and Sweden) require that the person reach a mimimum age before disability benefits can be paid.

Those disabled in childhood or before reaching working age are eligible for some type of benefit in five of the eight countries. Israel pays disability benefits to disabled children aged 3-18 under the general disability program; Finland, the Netherlands, and Sweden pay disabled young people under the universal tier of their disability programs. In the United Kingdom, those incapable of work before age 20 with at least 10 years of residency are entitled to a Severe Disablement Allowance.

Qualifying Conditions—Medical

Statutory Definition of Disability

The statutory definitions of disability are broadly phrased in each of the eight countries studied and provide minimum guidance for determining disability status. The primary criterion for approval of disability claims, as worded in statute, is similar in all eight countries. West Germany, Israel, and the Netherlands use the term "incapable of earning," while Austria, Finland, the United Kingdom, and Sweden use the term "incapable of work." Canada uses a phrase similar to that used by the Social Security programs in the United States: "incapable regularly of pursuing any substantially gainful occupation." Regardless of the terminology, all the definitions imply the question, "Can the worker adequately support himself or herself?"

While each of these eight countries specifies incapacity for work, Canada, West Germany, Israel, the Netherlands, Sweden, and the United Kingdom refer directly to the requirement for mental or physical illness, or impairment in statute. In contrast, Austria and Finland make no direct reference in statute to physical or mental disability—it is assumed or implied.

Benefit claims are provided for in statutes as follows:

Austria. Under the General Social Insurance Act, "a person is entitled to an invalidity or incapacity to work pension, if the general prerequisites are met, and if the person is suffering from temporary or permanent invalidity or incapacity to work."

Canada. Under the Canada Pension Plan, "the person must suffer from a severe and prolonged mental or physical disability, and be incapable regularly of pursuing any substantially gainful occupation."

Finland. Under the Employment-Related Disability Pension Program, "any employee or self-employed person whose working (earning) capacity is impaired by at least 2/5 (partial) or 3/5 (full) for a continuous year."

West Germany. For a pension award due to earnings incapacity, the program "presupposes that an insured person, due to an illness, can for an unforseeable period of time engage in gainful activity only irregularly, or achieve only insubstantial income from it."

Israel. Under the General Disability Benefit program, "a person who, as a result of a physical, mental, or intellectual impairment, fulfills one of the following conditions: (1) the individual is unable to support himself or herself from work and to earn a sum equivalent to 25 percent of the average wage; or (2) a person's capacity to earn a living from work, as well as any actual earnings, are reduced by 50 percent or more as a result of an impairment."

The Netherlands. Under the Disablement Insurance Program, an individual who, "as a consequence of illness or impairment is entirely or partially incapable of achieving earnings from performing work calculated on the basis of his/her powers and skills and which, in light of education and former profession, the person can in fairness be expected to perform, either at his/her old job or at a nearby location at the prevailing wage."

Sweden. For the disability pension, "on account of illness or other reduction of physical and mental capacity, there is a reduction of work capacity."

The United Kingdom. For the disability pension, "a person must be incapable of work by reason of some specific disease or bodily or mental disablement."

Prescribed Medical Criteria

Prescribed medical criteria for specific diagnostic categories (similar to the medical listings used by the U.S. Social Security Disability Insurance program in the United States) are used only by Israel and Canada. In Israel, the Book of Statutes includes a detailed list of various medical conditions or impairments, subdivided by severity of condition and the subsequent percentage of medical disability to be allocated for those conditions or impairments. Thus, these medical criteria act as a threshold that must be crossed before evaluation for functional disability. (See page 17 for explanation of functional disability.)

In Canada, the Guidelines used are based on the International Classification of Diseases, a World Health Organization functional rating system used to determine incapacity. The Guidelines relate medical criteria to each functional category.

Although only Israel and Canada identify specific categories of illness or impairment, all of the countries studied require the presence of a physical or mental causal factor affecting the claimant's ability to work. The way these medical factors affect the decision to award a disability pension varies considerably from country to country. For example, in the United Kingdom, the only medical criterion for payment of a disability pension is "incapacity for work"—that is, the physician must certify that the medical condition prevents the claimant from being able to perform his or her normal work. However, under the British system, disabled persons who are deemed capable of work may still be entitled to an array of other benefits, each with specific qualifying criteria. In the Netherlands, the Joint Medical Service, an independent body, determines the consequences of an impairment or illness on an individual claimant's capacity to work.

Loss of Earnings Criteria

Once medical eligibility has been established, the next step is to evaluate inability to work or earn. Inability to work or earn has been quantified by each of the countries surveyed as a percentage of lost earnings ability. This percentage is derived by comparing, in the West Germans' words, "a healthy insurant's capacity" to that of the disabled person. The Dutch use a physically and mentally healthy person who has similar education and earnings, and who works in the same approximate geographic location, to compare with the disabled person.

Six countries (Austria, Finland, West Germany, Israel, Sweden, and the Netherlands) accept less than a 100-percent loss of earnings in their qualifying conditions for a disability pension. The remaining two countries studied, Canada and the United Kingdom, require a total (100-percent) inability to earn for payment of a disability pension. Austria and West Germany require a 50-percent or greater loss of earnings capacity for payment of a disability pension; those disabled with less than a 50-percent earnings loss receive no disability pension.

The West German system pays a partial disability pension to those who suffer a 50-percent or greater earnings loss, and a full pension to those incapable of achieving any or only extremely low earnings. Both pensions can be granted either indefinitely or as limited pensions. A limited pension is granted for up to 3 years (with extensions for a further 3 years under certain circumstances) if the loss of fitness for gainful employment can be considered of a temporary nature.

The amount of the pension in Austria depends on several factors, including the worker's average income during a certain time frame (called the calculation basis), the number of months of insurance coverage, the claimant's age, and any entitlement for the birth of children or for having supplementary insurance. Disability benefits in Austria can also be awarded for a limited period if it is assumed that the incapacity is of a temporary nature.

Among the countries surveyed, Finland, Israel, Sweden, and the Netherlands provide a range of earnings-loss percentages, representing partial through total disability, and a related range of pension-benefit amounts. The Netherlands has the broadest range—a 15-percent loss of earnings capacity to qualify for a minimum partial pension and an 80-percent loss for a full pension (table 2). Finland's range is much narrower—a 40-percent loss for a partial pension and a 60-percent loss for a full pension. Israel and Sweden both use loss of earnings of 50 percent as the initial level for a partial pension. Israel, however, requires a 75-percent loss for a full disability pension benefit, and Sweden an 84-percent loss.

Vocational Criteria

Vocational as well as medical criteria are used in the assessment process in all of the countries studied. The countries vary greatly, however, both in how these vocational criteria are used in the assessment process and in the weight given to them in the final decision on whether or not to grant a full or partial dis-

Table 2.—Income loss levels for partial and full disability pensions

Country	Total disability as percent of earnings incapacity	Partial disability as lowest percent of earnings incapacity
Austria	79.5	50
Canada	100	([1])
Finland	60	40
Federal Republic of Germany	100	50
Israel	75	50
Netherlands	80	15
Sweden	84	50
United Kingdom	100	([1])

[1]Not applicable.

ability pension. For example, the vocational assessment of disabled claimants may include consideration of whether or not they could still be expected to perform any job that exists in reasonable numbers in the economy, or any job that is the same or similar to work they have ever done, or only their last job before onset of disability.

Other factors enter into the vocational assessment process and vary from country to country (and even within the same country depending on the particular program). For example, a requirement may stipulate that there be an actual vacancy versus the existence of jobs in sufficient numbers in the economy. If so, the determination may consider the geographic area—the entire country, a regional area, or only the local area.

Countries also vary in their requirements as to whether claimants are expected to move to take a job and, if so, whether consideration is given to the impact of such a move on home ownership, the spouse's job, children in school, and the like. For example, Finland is not likely to require a married disability claimant who has a family and owns a home to relocate to another city to find suitable work, but a single person who rents might be expected to move. In Sweden, consideration is given to whether a move might adversely affect a spouse's current employment.

Finally, differences exist among the countries concerning whether all claimants are measured against the same vocational standards or whether different criteria are applied depending on the claimant's age, education, skills, and even social class.

For example, the Canada Pension Plan applies its vocational criteria with greater latitude for those aged 55 or older. Thus, for a person in that age category who is unemployed and has a "significant" impairment, consideration is given to the actual "availability of employment appropriate to the individual's usual type of work." The following examples show how these various factors are applied in some of the countries surveyed.

In Austria, the vocational criteria are applied differently to salaried employees (white-collar employees) than they are to wage earners (blue-collar workers). Employees are entitled to benefits in Austria if, because of illness or incapacity, they are not capable of employment in their "category of occupation" even though they could still find work in the general labor market. The evaluation of working capacity for employees in Austria is based on the claimant's last occupation, and incorporates all jobs that require similar training, knowledge, and skills. Furthermore, the claimant who is unable to work in his or her occupational category because of illness or injury is not expected "to take up another employment if doing so would constitute a step down in the social scale." For the Austrian blue-collar worker, the range of occupations to which he or she can be referred covers all those previously performed before the onset of disability. For both employees and workers in Austria, it is relevant only that there be jobs in the labor market in sufficient number that the claimant could be expected to perform, not that actual vacancies or offers of employment exist.

In their disability assessments, both West Germany and the Netherlands use a combination approach that ties the individual capabilities of the claimants to a general vocational grid. In both countries, the residual functional capacity of each claimant is assessed and compared with a functional analysis of the specific skills needed to perform defined occupations. However, the two countries differ in the way they use this information.

The West Germans use this functional assessment in conjunction with age, education, skills, and other factors to develop a profile. The profile then indicates which jobs the claimant could still be expected to perform. If these jobs exist in sufficient number in the locale, the claimant is not eligible for a disability pension. Thus, in West Germany, it is not necessary that there be actual vacancies or offers of employment in these occupations. However, in recent years, rulings of the appeals courts have instead taken into account the actual labor-market situation. Therefore, the West German courts have granted full disability pensions to claimants who meet eligibility only for partial disability benefits but who cannot find jobs.

The Dutch take current labor-market conditions into account in their vocational assessment process. Thus, in the Netherlands, the information about the claimant's remaining abilities and skills is matched against actual vacancies for jobs that require those specific skills. Then, the Dutch adjudicators work with local vocational experts to place the claimant. If (1) there is no job available that the claimant can do, and (2) provided that the disablement is over 15 percent and the individual has not returned to work, the person may be adjudged fully disabled. In recent years, this process, coupled with high unemployment in the Netherlands, has resulted in a high incidence of disability pension awards.

In the United Kingdom, the vocational criteria have a somewhat delayed significance in the assessment process. As previously stated, it is a relatively easy procedure to establish eligibility for a disability benefit in the United Kingdom. The claimant's own physician certifies that, due to a physical or mental condition, the claimant cannot do his or her job. The application of vocational criteria really comes later on, after the claimant has been receiving disability benefits for some time. Then, the social security authorities—while considering the claimant's age, education, and work experience—may nevertheless conclude that: (1) it is reasonable for the claimant to seek alternative employment and that (2) there is employment that exists within the claimant's physical or mental capabilities. It is not necessary that there be actual vacancies or that they be in the claimant's local area.

In recent years, the high unemployment rate in the United Kingdom (about 12 percent in 1986) has impacted adversely on disabled claimants' ability to find work. Nevertheless, the burden of proof is on the British claimant to show that there is absolutely no work he or she can do. Therefore, an increasing number of denied disability claimants in the United Kingdom have based their appeals on the difficulty of finding work in times of very high unemployment.

Sweden, Finland, and Israel apply vocational criteria on an individual basis. An examination of the vocational assessment process in Israel best illustrates how such individual decisions are made. After meeting the medical criteria, the claimant is assessed on an individual functional basis. For example, a concert violinist who loses the use of his fifth finger (a minor medical disability) might still be entitled to a full benefit in terms of a functional disability. Conversely, a totally blind clinical psychologist (with a 100-percent medical disability due to blindness) may not receive a benefit if his or her capacity to earn as a clinical psychologist is good or remains unchanged.

Benefits

Pension Formula

Six of the countries studied—Austria, Canada, Finland, West Germany, the Netherlands, and Sweden—use a formula for benefit calculation that is tied to the worker's past earnings. That is to say, what a worker has earned is, in some way, correlated to the benefit. Israel uses a percentage of average wages for all Israeli workers for the calculation and adjustment of benefits. In the United Kingdom, the benefit formula begins with a flat rate that can be increased by increments. In addition, all of the countries make some kind of adjustment to benefits to account for inflation.

Furthermore, two of the countries—Austria and the United Kingdom—give consideration to the age of the worker in calculating the benefit, under the assumption that the younger the worker at the onset of disability the longer the disability could adversely affect potential earnings. Each of the countries has a different method of calculation.

Austria uses hypothetical credits for younger workers so that the period from age of qualification to age 50 is added at a rate of 1.9 percent per year to increase the pension, up to a maximum of 50 percent of earnings. The United Kingdom uses pension supplements added to the basic flat-rate benefit in increments, depending on the worker's age.

Disability-Related Benefits

Most of the countries studied offer a variety of auxiliary social security cash and/or in-kind benefits to disabled persons to help them live and function in society. The countries vary as to whether or not they require the person needing the auxiliary benefits to be in receipt of a disability pension, work-injury benefit, or incapable of work to qualify for these additional benefits. In addition to the cash and in-kind benefits per se, countries often have many other programs to help the disabled become better integrated into society. These disability-related programs include low-cost housing and car loans and employment quota and incentive programs.

Some examples of supplemental cash benefits include: **attendant care (or constant attendance) allowances** payable to disabled persons who require the care of another person (payable in all countries studied except Canada), and **mobility allowances**, which are payable to persons with impaired mobility to assist them with their transportation costs.

Attendant care allowances provide cash benefits to noninstitutionalized individuals needing full- or part-time assistance from another person. These payments enable the individual to receive at-home assistance with activities of daily living or personal care. The qualifying conditions for this assistance vary from country to country depending on: (1) severity of the disablement, (2) application of a means test, (3) relationship of the attendant to the disabled person, (4) age requirements, and (5) benefit amounts. Regardless of the specific requirements in the individual countries, the purpose of these benefits is, at least in part, to contain the spiraling cost of long-term hospitalization or nursing home care by providing at-home care when possible.

Mobility allowance is a broad term that includes a variety of transportation benefits for the disabled. The types of benefits and the requirements for eligibility differ from country to country. For example, in the United Kingdom, a mobility allowance (currently about $30 per week) is paid to disabled persons between the ages of 5 and 65 (but once awarded, the allowance remains payable until age 75) with "inability or virtual inability to walk, including those for whom the exertion to walk would constitute a danger to life or health." Thus, the criterion for payment of the mobility allowance in the United Kingdom is the person's physical condition and not necessarily the need for work-related transportation.

On the other hand, West Germany pays a "travel-to-work allowance" to qualified disabled individuals. In Israel, the majority of the mobility benefits and forms of assistance available are related to helping the disabled purchase their own vehicles because public transportation is generally not accessible to the handicapped. A disabled person who works receives double the monthly mobility pension of a nonworker. This larger amount is considered a strong work incentive in Israel.

Except for Israel, all of the countries studied have national health insurance programs as part of their social security systems. As well as providing full medical and hospitalization coverage, these programs also provide such in-kind benefits as wheelchairs, prostheses, examinations, laboratory tests, pharmaceuticals, and treatment-related transportation. The Israeli Labor Federation sickness fund provides similar protection for approximately 90 percent of the population.

In addition, many countries provide aid to the disabled through various other means, such as low-cost loans for the purchase of an automobile (Israel), subsidies for the adaption of a home and/or automobile or for rent (Austria), and tax credits for housing expenses (the Netherlands).

For the disabled who work or return to work, payment is made for adaption of the worksite and for job aids in all countries except Canada and Finland. Furthermore, in Austria and West Germany, private employers are encouraged to hire the disabled through the use of quota systems that specify the percentage of jobs to be filled by disabled individuals. In West Germany, both private and public employers with 16 or more employees must fill 6 percent of the jobs with severely disabled employees. Failure to meet this quota results in a fine (currently about $75 per month) for each unfilled workplace. Penalties paid by West German employers for not complying go into a fund to help defray the costs of rehabilitation and job-site adaption for disabled persons. The requirement is similar in Austria, except that it is applicable to companies employing 25 or more employees. Also, in Austria, the fines are paid to special funds earmarked for use by the disabled for loans and/or subsidies. In addition, Austria pays incentive cash awards to companies that exceed the prescribed quota.

The United Kingdom's quota system requires employers with 20 or more employees to have 3 percent registered disabled workers. No fines are imposed on employers for being below quota. However, the employer may not hire a nondisabled person to fill any vacancy without obtaining a special permit from the Manpower Services Commission.

In the Netherlands, legislation enacted in July 1986 requires employers and unions to fill between 3 percent and 7 percent of all positions with disabled individuals. The provisions cover all private and public sector companies regardless of workforce size, with the percentages varying according to the type of work performed. The lower rate of 3 percent applies to industries such as construction, where physical abilities are paramount, and the higher 7-percent rate applies to sedentary work (such as clerical jobs). Penalties are assessed for failure to meet fixed quotas, with the money used to pay grants to companies that exceed their quotas.

Other incentives to hiring the disabled include: salary subsidies for limited periods (Austria), payment of full salary during training periods (Israel), and permission to pay lower wages than those normally required in certain trades for limited periods (the Netherlands).

Conversion of Disability Pension to Old-Age Pension

As previously mentioned, in the majority of the countries studied the disability pension is viewed as a continuum between the sickness benefit stage and the eventual old-age pension. Thus, in Austria, Canada, West Germany, the Netherlands, and Israel, the disability pension is automatically converted to an old-age pension at age 65 (age 60 for women in Israel). In Finland, the disability pension converts to an old-age pension from age 60 to age 67, depending on the retirement age of the particular program. Sweden does not use age as the conversion point, but rather years of pension coverage (when the individual has 30 years of pension coverage, the benefit converts).

In the United Kingdom, women aged 60-64 and men aged 65-69 may choose the type of benefit they wish to receive. In general, it may be more financially advantageous to disabled individuals in those age ranges to continue receiving disability pensions instead of converting to retirement pensions. The basic disability benefit is not taxable as income (although any additional earnings-related component is taxable) while the entire old-age benefit is subject to such taxation. However, the choice of which pension to receive would depend on the individual's particular circumstances, such as age at onset of disability, number of years of contributions, and eligibility for the earnings-related additional component. At age 65 for women and age 70 for men, the disability benefit automatically converts to an old-age pension.

Country Monographs

Copies of the individual country monographs and questionnaires are available to individuals in the United States from Rehabilitation International, 25 East 21st Street, New York, NY 10010. The price is $5 for each set to cover costs.

Austria

Johann Kaiser, **Social Security Disability Benefit Program: Austrian Monograph**, monograph, 19 pages; questionnaire, 82 pages.

Canada

Jack R. Sarney and Heather Ney, **Rehabilitation International Cross-Study of Social Security Benefits for Disabled People—Canada**, monograph, 30 pages; questionnaire, 34 pages.

Federal Republic of Germany

Dr. Rudolf Kolb and Hubertus Stroebel, **The Social Security System in the Federal Republic of Germany**, monograph, 42 pages; questionnaire, 53 pages.

Finland

Risto Seppalainen, **Rehabilitation International Study of Social Security Benefits for Disabled People**, monograph, 27 pages; questionnaire, 23 pages.

Israel

Dr. E. Chigier, **Rehabilitation International Cross-Study of Social Security Benefits for Disabled People**, monograph, 81 pages; questionnaire, 53 pages.

Netherlands

Tjeerd P.M. Hulsman, **An Overview of the Dutch Social Security System and the Major Social Insurance Programmes**, combined monograph and questionnaire, 132 pages.

Sweden

Tor Eriksen, **Rehabilitation International Cross-National Study of Social Security Benefits for Disabled People**, monograph, 20 pages; questionnaire, 41 pages.

United Kingdom

Peter Mitchell, **Rehabilitation International Cross-National Study of Social Security Benefits for Disabled People**, monograph, 22 pages; questionnaire, 42 pages.

Appendix I.—Features of long-term disability pension programs, selected countries

Country	Pension approach	Employment-related pension financing	Maximum duration of cash sickness benefit	Contribution period	Recency of work	Coverage	Disability status by percent of earnings capacity lost: Full	Disability status by percent of earnings capacity lost: Partial	Prescribed medical criteria for diagnostic categories	Converts to old-age pension automatically
Austria	Earnings related	Employer, employee, self-employed, and general revenue funds	78 weeks or until pension granted	240 months	60 months of last 120 months	Employed, certain self-employed workers, and voluntary contributors	79.5	50	No	Age 65
Canada	Earnings related	Employer, employee, self-employed, and general revenue funds	15 weeks (as unemployment insurance)	⅓ of total contributory period	5 years of last 10 years	Employed and self-employed	100	None	Yes	Age 65
Federal Republic of Germany	Earnings related	Employer, employee, self-employed, and general revenue funds	84 weeks total (1st 6 weeks employer paid; then, 78 weeks cash sickness within 3 consecutive years)	60 months of covered employment	36 months within 5 years prior to disability onset	Employed, self-employed, nonworkers who contribute, and others designated by statute	100	50	No	Age 65
Finland	Earnings related + universal	Employer-paid premiums, self-employed	1 year	None	1-4 months, depending on program	Employed and self-employed	60	40	No	Retirement age of the particular program—ages 60-67
Israel	Earnings related	Employer, employee, self-employed, and general revenue funds	90 days employer-paid sick leave	None	None	Employed, self-employed; and housewives, and disabled children under special provisions	75	50	Yes	Age 60 for women, age 65 for men
Netherlands	Earnings related + universal	Employer, employee, and general revenue funds	52 weeks	Requires currently insured status	Currently insured status at time of disability onset	Employed and unemployed	80	15	No	Age 65
Sweden	Earnings related + universal	Employer, self-employed, and general revenue funds	90 days	None	None	Employed and self-employed	84	50	No	Completion of 30 years of pension coverage
United Kingdom	Earnings related	Employer, employee, self-employed, and general revenue funds	28 weeks total (1st 8 weeks employer paid; then, 20 weeks cash sickness)	Contributions in any tax year at specific minimum amount	Contributions at a specific minimum amount in year preceding disability onset	Employed, insured self-employed, and unemployed	100	None	No	Age 65 for women, age 70 for men

Appendix II.—Pension program financing

Country	Contributions as percent of covered earnings			Government contribution	Benefits
	Employer	Employee	Self-employed		
Austria	12.45	10.25	13.00	Any program deficits	Old-age, disability, and death
Canada	1.80	1.80	3.60	[1] 85 percent of total program costs	Old-age, disability, and death
Federal Republic of Germany	9.35	9.35	18.70	15 percent of total program costs	Old-age, disability, and death
Finland	11.50	None	[2] 11.20	None	Old-age, disability, and death
Israel	.75	.75	1.50	Cost of income support; cost for uninsured; 75 percent of cost for those disabled before 1970	Disability
Netherlands	6.20	16.00	N A	Any deficit; those disabled since childhood; exempted low-income persons	Disability
Sweden:					
Tier 1	[3] 9.45	[3] None	[3] 9.45	[3] 25 percent of program costs	Old-age, disability, and death
Tier 2	[4] 10.00	[4] None	[4] 10.00	[4] None	
United Kingdom	10.45	9.00	Flat rate plus 6.30	13 percent of total program cost	Old-age, disability, death, medical, cash sickness, maternity, work injury, and unemployment

[1]Includes entire cost of universal old-age benefit and income-tested benefit.
[2]Rate can decline gradually to 4.48 percent for very low income levels.
[3]Contribution to universal benefit, Tier 1.
[4]Contribution to earnings-related benefit, Tier 2.