



**MINISTRY OF SOCIAL  
DEVELOPMENT**  
TE MANATŪ WHAKAHIATO ORA

## **Evidence Brief**

# **Activation measures for incapacity benefit recipients to improve employment outcomes**

**February 2010**

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Readers should note that this report has not been through the Ministry's full publication quality assurance process but is being published as it may be of value and interest to the social services research community and others. The report has been edited and proof read, but the layout and content has not been reviewed or updated since the report was finalised.

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## ACTIVATION MEASURES FOR INCAPACITY BENEFIT RECIPIENTS TO IMPROVE EMPLOYMENT OUTCOMES

### Key points

- The longer people remain out of work after losing their job due to sickness or disability the less likely they are to return to paid employment.
- Interventions and policies that reduce the time a recipient of an incapacity benefit is out of work by actively assisting them into employment are called activation measures.
- As with most developed countries, New Zealand has experienced rapid growth in numbers of incapacity-related beneficiaries over the past 30 years.
- Vocational interventions (eg job search support, job support, training in interview skills) are effective for low income mothers with disabilities.
- Job Clubs provide group job search support, help in CV writing and letter writing. In New Zealand participation of work-ready or near work-ready sickness benefit (SB) and invalid's benefit (IB) recipients in Job Clubs led to an increase in part-time work.
- Case management approaches that provide intensive services such as employability assessments, individual employment plans, job placements and ongoing monitoring after placements can be effective in increasing short-term earnings for incapacity benefit recipients.
- Work experience approaches are effective for younger people with health and disability issues.
- People with disabilities are twice as likely to be self-employed compared to the rest of the population.
- For intensive case management approaches to be effective specialised services (such as individual therapy, individual need-based counselling) need to be readily available.

The longer people remain out of work after losing their job due to sickness or disability the less likely they are to return to paid employment (Doube, 2004). Interventions and policies that actively assist beneficiaries into employment or assist those who are able to work to reintegrate into the labour market are called activation measures. Activation measures may also reduce the inflow onto sickness and disability benefits.

## Situation as at 31 December 2009

As with most developed countries, New Zealand has experienced rapid growth in numbers of incapacity-related benefits over the past 30 years. For the five years to December 2009 (Figure 1):

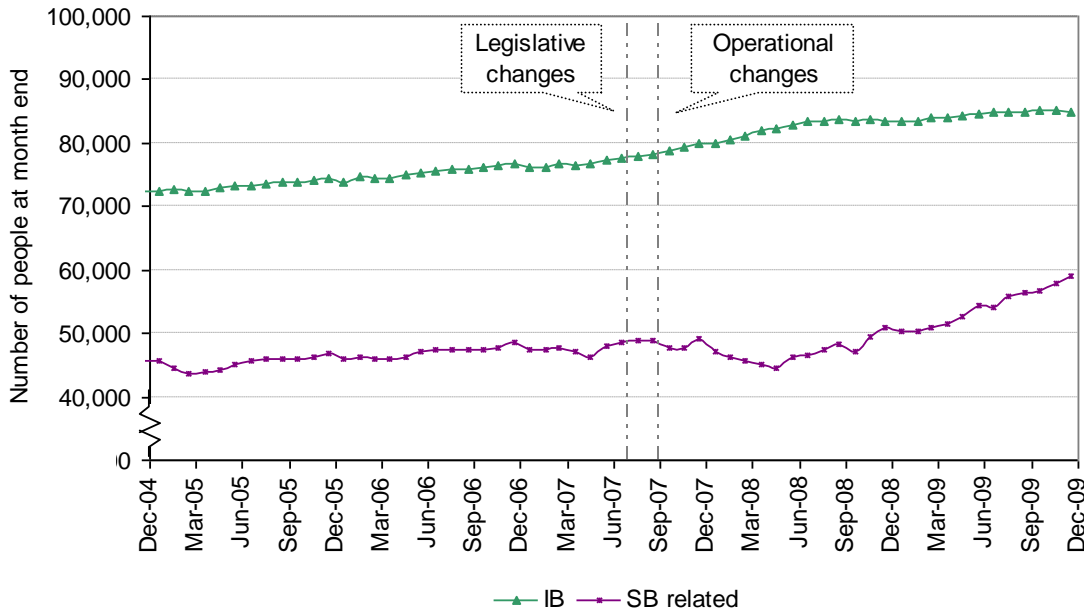
- the number of people receiving Invalid's Benefit (IB) increased by nearly 17 percent or 3.2 percent per annum
- Sickness Benefit (SB) numbers increased by 30 percent or 5.3 percent per annum.

Policy and operational changes that are likely to have had some impact on numbers in receipt of SB and IB include:

- legislative changes in July 2007 which removed work test exemptions for primary recipients on unemployment benefit aged 60 to 64 years
- simplifying and aligning the residency criteria across all benefits in April 2007 – reducing residency requirements for eligibility for Invalid's Benefit from 10 to two years.
- the changes implemented in September 2007:
  - extending the provision allowing blind people receiving Invalid's Benefit to continue receiving the benefit for up to two years while overseas for vocational or guide dog training, to all people receiving Invalid's Benefit in similar circumstances
  - revising the medical certificate and improving information provided on duration and impacts of client's conditions
  - transitioning to the new medical certificates and increasing the understanding in the health sector of benefit eligibility criteria
  - removing the requirement for Invalid's Benefit applicants to attend a further assessment with a designated doctor as part of an application, where there is sufficient evidence of their disability already available
  - removal of the age-based work test exemption for all partners of beneficiaries aged 55 years and over.

As a result of the September 2007 changes there was a notable impact on the transfer between benefits, particularly between Sickness and Invalid's Benefit.

**Figure-1: Number of working age people on SB & IB**



Source: Information Analysis Platform, 2009 (research information, not official MSD statistics)

## What works?

### Vocational interventions and Job Clubs

Vocational interventions are services such as supported employment, job search support, job support, training in interview skills, preparing CVs, job placement assistance and work-based education (for people with educational and language barriers to work). Vocational interventions are found to be particularly effective for low income sole mothers with disabilities and people with cognitive disabilities.

- Kregel and Dean (2002), compared results for supported employment versus sheltered employment, finding significant positive impacts of supported employment on earnings for people with cognitive disabilities in the United States across severity of disability and gender (cited in Loprest, 2007).
- Return-to-work initiatives for low income mothers with disabilities in the US led to an increase in employment and earnings and a decrease in numbers receiving benefit. The initiatives included both vocational support (eg job search and job placement assistance) and work-based education for people with educational and language barriers to work (Rangarajan et al., 2008).
- Job brokering (provided by Work Directions) achieved positive employment outcomes in the UK. Job brokers used a variety of approaches such as work trials, unpaid job match, payments for part-time work, developing personal skills and the interest for work, which meant breaking the patterns of complete inactivity. Of the 3000 clients registered with Work Directions, 1300 found a job (83 percent of them remained on the job for at least 13 weeks) (OECD, 2007).

Job Clubs provide group job search support, help in CV writing and letter writing. In New Zealand participation of work-ready or near work-ready SB and IB recipients in Job Clubs led to an increase in part-time work.

- 14 percent of Job Club participants declared income seven months after participation, compared to 10 percent of non-participants (comparison group), (MSD, 2005).

### **Intensive case management approaches**

Case management approaches that provide intensive services such as employability assessments, individual employment plans, job placements and ongoing monitoring after placements can be effective in increasing short-term earnings and employment for incapacity benefit recipients.

- Enhanced case management and employment-focussed case management increased short term earnings and employment in three out of four sites for incapacity recipients in the US (Rangarajan et al., 2008).
- Low caseload case management was effective in providing employment to more than a third of participants in the UK (OECD, 2007).
- Personalised employment assistance achieved employment or training and education outcomes within three months of exit for half the participants in Australia. The programme involved job search and employment-focused activities (OECD, 2007).

### **Work experience approach**

Work experience approaches include On-the-Job-Training, Job Placements and Unpaid Work Placements. Work experience approaches can be effective for younger people with health and disability issues. Work experience does not need to be paid; employment gains are seen amongst incapacity benefit recipients who receive unpaid work experience.

- Work-experience, On-the-Job-Training and Job Placements for claimants 18-40 years old with intellectual disabilities in the US achieved increases in employment and earnings and slight reductions in the number of people receiving benefit (Rangarajan et al., 2008).
- Unpaid work trials in the United Kingdom moved one-third of the participant incapacity beneficiaries into sustained employment within three months of registration (OECD, 2007).

### **Self-employment assistance (Business Support)**

Self-employment assistance provides services such as business plan development, business mentoring, training in business management and access to loans. People with disabilities are twice as likely to be self-employed as the rest of the population in the US (CSRE, 2006).

- People with disabilities in the UK with vocational qualifications are more likely to be self-employed especially those with musculoskeletal problems and women with mental health problems, (CSRE, 2006).
- In Canada 750 people with disabilities have received services such as business plan development, business mentoring, training in business management and

access to loans since 1997-1998 and 65 percent of these people are currently operating businesses (House of Commons, Canada, 2008).

## **What doesn't work?**

### **Availability of specialised services**

For intensive case management approaches to be effective, specialised services (such as individual therapy, individual needs-based counselling) need to be readily available.

- Kornfeld and Rupp (2000) in an evaluation of Project NetWork (USA), which provided case management referral services on return to work for incapacity beneficiaries, found no significant impact of these services on the number of benefit receipts (cited in Loprest, 2007).
- There were no changes in either the labour market earnings or the amount of benefit received amongst incapacity benefit recipients in the US who received benefits counselling (improved information on work incentive) and employment-focused case management (enhanced case management). This was because of the non-availability of more intensive services, such as employability assessments, individual employment plans, job placements for the participants (Rangarajan et al., 2008).
- In the UK, the Job Retention and Rehabilitation pilot tested three interventions (an intervention promoting health services, an intervention promoting workplace services and a group receiving both). The resulting evaluation found no impact of the three interventions on return to work for incapacity beneficiaries relative to the control group (Purdon et al., 2006, cited in Loprest, 2007).

## **What we don't know?**

- The effectiveness of disability management interventions on return to work.
- Individual and employer characteristics that impact the timing of return to work.
- Which components of enhanced case management work best and for whom?
- The impact of other factors related to improved earnings, job retention and stability, eg the role of transportation, housing and job quality, as well as employer benefits and practices.

## Key documents

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