European Commission

PES to PES Dialogue

The European Commission Mutual Learning Programme for Public Employment Services

DG Employment, Social Affairs and Inclusion

PES approaches for sustainable activation of people with disabilities

Analytical Paper

(August 2013)

Employment, Social Affairs and Inclusion

This publication is commissioned by the European Community Programme for Employment and Social Solidarity (2007-2013).

This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the EU2020 goals in these fields.

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In collaboration with ICF GHK

August 2013

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Executive summary

Reduced work capacity in the working age population has received increasing attention during the past decade as it poses a challenge to Europe in achieving inclusive and sustainable growth. If adequately designed, disability policies can greatly contribute to social inclusion and sustainable employment opportunities, and public employment services (PES) have an important role in implementing such policies.

The working-age disabled population without a job is about twice as large as the unemployed population (the main target group of most employment policies) in most Member States, and many of them are not actively looking for work. Disability benefit receipt has tended to increase in most Member States over the past decade. Though population ageing implies a mild increase in disability claims, the recent rise in spending cannot be explained by demographics alone; the explanation for the rise is more likely to be found in structural changes in the labour market and the policy response to the global financial crisis.

The employment gap between the disabled and the non-disabled population ranges between 20-40 % in old Member States while it tends to be much larger (up to 80 %) in new Member States. The labour market disadvantage of people with disabilities has shown very little or no improvement since the mid-1990s.

The sudden rise of disability benefit expenditure in the 1970s and/or 1990s was itself a response to changes in the labour market and in welfare systems. The underlying cause was a decline and structural shift in labour demand, and a subsequent rise in long term unemployment. As governments curbed spending on unemployment benefits, disability benefits have become a benefit of last resort for the long-term unemployed or inactive population.

The current high incidence of disability benefit claims and the low employment rate of disabled persons in Europe are explained mainly by low education levels, poor health, ageing, relatively generous benefits and a lack of demand for low skilled workers.

Welfare provisions for the working age disabled population are dominated by cash transfers in all Member States. To achieve good employment outcomes, disability policy would need to tackle all the stages of entering and exiting the labour market and in all stages, measures should ensure early and well targeted access to high quality rehabilitation services while limiting access to cash transfers to those in genuine need.

While there is mounting evidence of a convergence towards activation policies and away from generous cash transfers, actual practice lags behind. Most Member States provide legal protection against discrimination, many have introduced quotas to encourage the hiring of disabled job seekers, and several Member States have tightened access to disability pensions. However, rehabilitation services are underdeveloped, underfunded or underused in most Member States. Preventive measures via inclusive education and during sick-leave pose a challenge even in those countries where activation measures are otherwise well developed.

Most Member States provide access to their regular employment services and measures to disabled job seekers. Where rehabilitation services are available, these are also administered or signposted by the PES.

Empirical research tends to find no employment effect from anti-discrimination legislation and there is mixed evidence on the merits of quota systems. Active labour market programmes (ALMP) offered to disabled job seekers may include mainstream programmes with or without additional support to compensate for their disability and programmes tailored to their specific needs such as vocational rehabilitation, supported employment, targeted wage subsidies or sheltered employment.

Existing empirical evidence suggests that personalised services such as supported employment rather than large scale uniform programmes (training or sheltered work-

shops) are more effective in promoting a transition into the open labour market. Outsourcing these services is most efficient in the case of hard to place clients, and partially outcome based financing can be effective if perverse incentives are constrained by financing tools and monitoring.

Partnerships may focus on the further development of training programmes and services that are tailored to the special needs of particular disabilities, awareness raising and activation for prevention and early action, or on promoting anti-discrimination and working against prejudices that hinder the labour market inclusion of people with disabilities.

Public employment services may contribute to promoting the labour market inclusion of people with disabilities by collecting and disseminating evidence on the effectiveness of rehabilitation services, by developing the effectiveness of these services and by strengthening partnerships with stakeholders. Developing PES profiling tools would also be crucial as these are required for the proper targeting of expensive personalised services to those most in need.

1. Introduction

Though the health status of the labour force has tended to improve over the past decades, the incidence of disability benefit claims has increased in several European countries and the labour market integration of job seekers with a disability is continuing to pose a challenge to most EU Member States.

The European Community has actively promoted the integration of people with disabilities since the early 1980s. As part of the comprehensive European Union Disability Strategy adopted in 1999,[1] the Commission set up or supported consultative bodies[2] and committed itself to mainstreaming disability in its own socio-economic policies. While initially mainly a human rights issue, the labour market integration of people with disabilities was soon included in the employment policy agenda as well. In its 2003-2005 Employment Guidelines, the European Employment Strategy explicitly referred to the importance of integrating disabled jobseekers for the first time.[3] In line with the increasing emphasis on activation, the Guidelines called on Member States to reform financial incentives to encourage the labour market participation of people with disabilities (among others).

If adequately designed, disability policies can greatly contribute to social inclusion and improved and sustainable employment opportunities, while poorly designed policy measures aggravate the challenges posed by demographic change, increasing welfare budgets and the social exclusion of groups facing multiple disadvantage.

The low participation rate of occupationally disabled persons is one of the main challenges facing Europe and **public employment services (PES) have an important role in delivering employment rehabilitation services.** The PES EU2020 Strategy calls on the PES to make their services accessible to disabled job seekers (inclusiveness principle) (PES, 2013).

This paper gives a brief outline of recent trends in the disability employment gap and reviews current European practice in policies promoting the labour market integration of people with disabilities, with a particular focus on the role of the PES.

1.1 The working age disabled population is about twice as large as the unemployed population in many countries, but remains difficult to define and compare

The target group of disability policies is not easy to identify. First, disability is not a binary condition but exists on a continuum. Second, when disability is officially evaluated to assess a claim for a social benefit or to assess the ability to work, the result may not fully correspond to the self-perception of the individual concerned. Third, the social perception of what constitutes a disability varies across time and cultures. Last, eligibility conditions of disability benefits also vary considerably across time and between countries. In some countries relatively generous schemes have been used to support early labour market exit.

As a result, the **various administrative data and household survey statistics** on the labour market inclusion of people with disabilities are **difficult to compare** and

[1] The strategy was developed in response to the United Nations Standard Rules on Equalisation of Opportunities for Persons with Disabilities.

[2] The Commission set up a High Level Group of Member States' Representatives on Disability to strengthen the co-operation between and with the Member States and it supported the European Disability Forum, which brings together disability organisations from all Member States (European Communities, 1999).

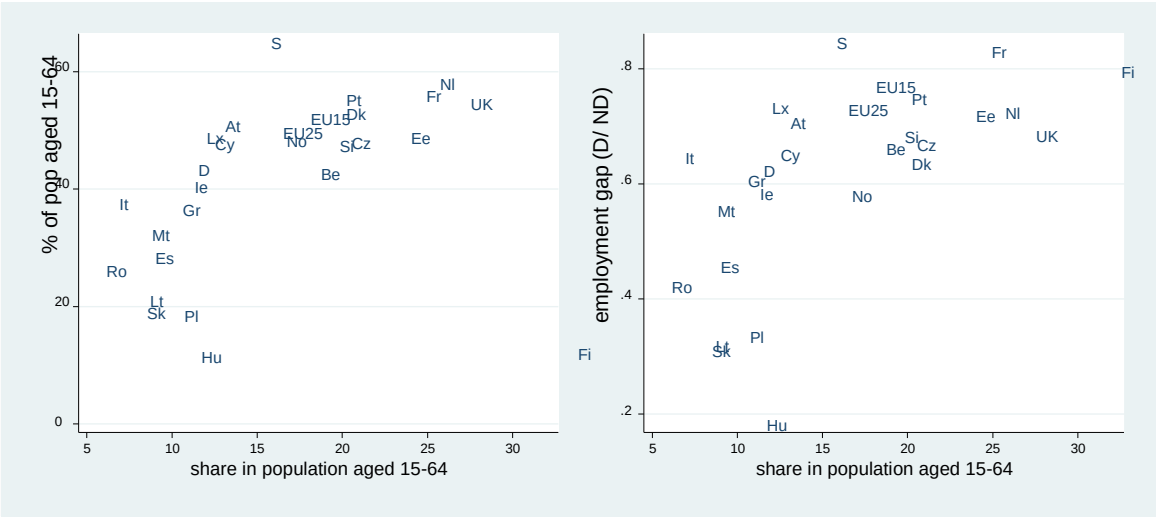
[3] The European Action plan adopted in 2003 and the European Disability Strategy adopted in 2010 also gave a high priority to promoting labour market inclusion (European Commission, 2003 and 2010). The Commission issued guidance on mainstreaming disability in the European Employment Strategy in 2005 and set up an academic network in 2007 to regularly review national reform programmes (see Aned website).

there are no reliable statistics on the long term evolution of the employment rate of people with disabilities.[4]

To illustrate the point, Figure 1 presents the cross-country variation in the employment rate of the disabled population in the 2002 ad-hoc module of the European Labour Force Survey. This is based on a harmonised questionnaire and collection method.[5] Given that health outcomes are relatively homogenous within Europe (or vary mainly with the level of income, cf OECD, 2012), one would expect relatively little cross country variation in the incidence of disability within the working age population and no definite correlation between the incidence of disability and the employment rate of people with disabilities. The LFS data refute both these expectations: we find that the incidence of disability varies between 5.8 % in Romania and 32.2 % in Finland and the employment rate of people with disabilities increases with the incidence of disability, whether it is measured in absolute terms or relative to the employment rate of the non-disabled population (Figure 1).

The incidence of disability also reflects the magnitude of the problem. Compared to the unemployed population (the main target group of most employment policies), the working-age disabled population without a job is about twice as large in most Member States, and many of them are not actively looking for work (Table A1 in the Appendix).

Figure 1. Employment and incidence of disability in Europe 2002



Source: Own calculations using data from the EU LFS ad-hoc module of 2002 (Eurostat), except for Poland and Sweden, where we used data provided by the respective national statistical offices. The employment gap is measured as the ratio of the respective employment rates of people with disabilities and the non-disabled.

In the following we rely mainly on household survey data (LFS or SILC) on self-reported disability or long term illness limiting work capacity, keeping in mind the above outlined limitations of their comparability across countries.

[4] Banks et al. (2004) suggest that the differences in self-reported disability across countries are influenced by differences in disability thresholds used in the assessment of benefit claims (e.g. over 50 % of the difference between the US and the Netherlands is due to this). Further, Kreider and Pepper (2007) report convincing evidence based on two US population surveys, including self-reported disability, that non-workers over-report their disabilities.

[5] Data from the 2011 LFS Ad Hoc Module providing updated information will only be available in December 2013.

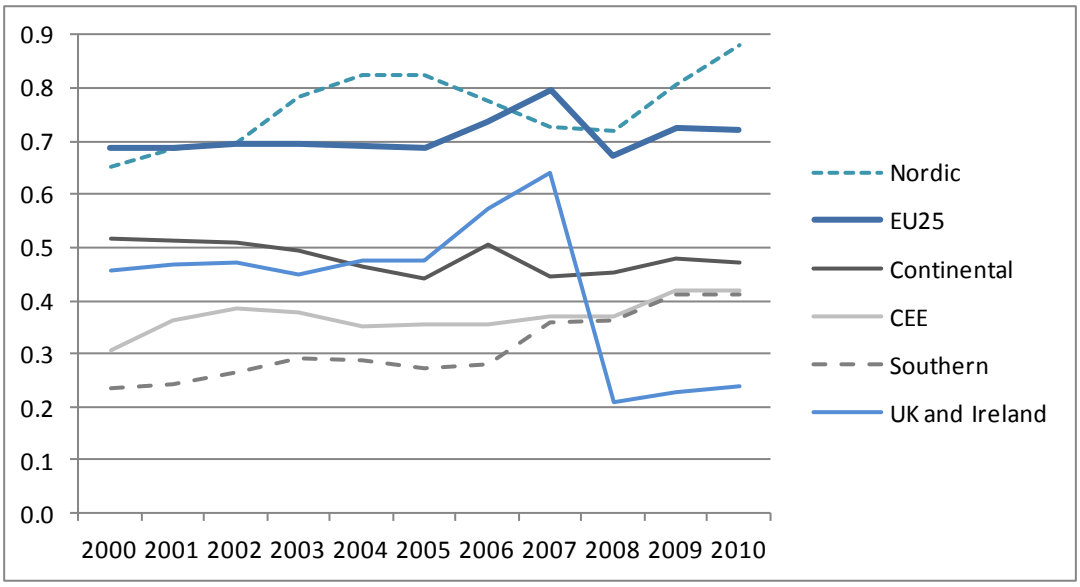
2. Labour market status of people with disabilities: trends and causes

2.1 Health indicators have improved, but disability benefit spending has tended to increase especially during the recent crisis

Disability benefit receipt has tended to increase in most, though not all Member States over the past decade. Calculations by the OECD show that in several countries, **population ageing implies a mild increase in disability claims** as disability prevalence is higher among older workers (OECD, 2010). **Some Member States however have successfully curbed this trend** so that new benefit claims are increasing at a slower pace than demography would imply, or are even decreasing. Before the global crisis, beneficiary numbers fell sharply in response to policy reform in Austria, Finland, the Netherlands, Poland, Portugal and the United Kingdom.[6]

Data on benefit expenditure however, suggest that the **global financial crisis has put considerable pressure on social protection budgets**; spending on disability cash benefits tended to increase in most Member States and especially in the Nordic countries after 2008 (Figure 2). This may have reversed the earlier declining trend in some countries, e.g. in Finland and Poland where spending increased sharply after 2008.

Figure 2. Government spending on cash transfers for the disabled population (excluding pensions), % of GDP

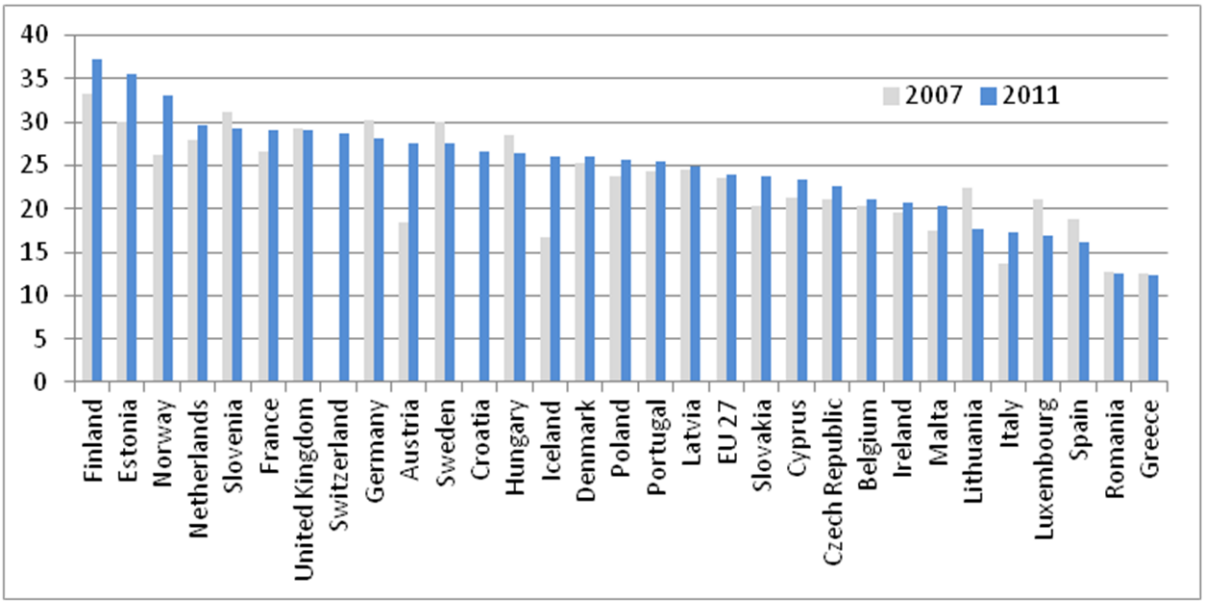


Source: Eurostat online database: Esspros disability function [spr_exp_fdi]. Excludes spending on disability pension or disability benefit. Unweighted averages.

The **recent rise in spending cannot be explained by a deterioration of health status,** except perhaps in Finland where a significant decline has been observed. In fact, the prevalence of health problems improved or stagnated in most EU member states over the past few years (see Figure 3). As we shall see in the next section, the explanation for the rise is more likely to be found in structural changes in the labour market and the policy response to the crisis.

[6] The decline in beneficiary numbers is in most cases achieved by reducing the number of new claims via preventive measures and tightening access to benefits. A few other countries, e.g. Norway, exhibit opposing trends and most worryingly a high prevalence of disability among young people (OECD, 2013).

Figure 3. Working age population having a long-standing illness or health problem, %

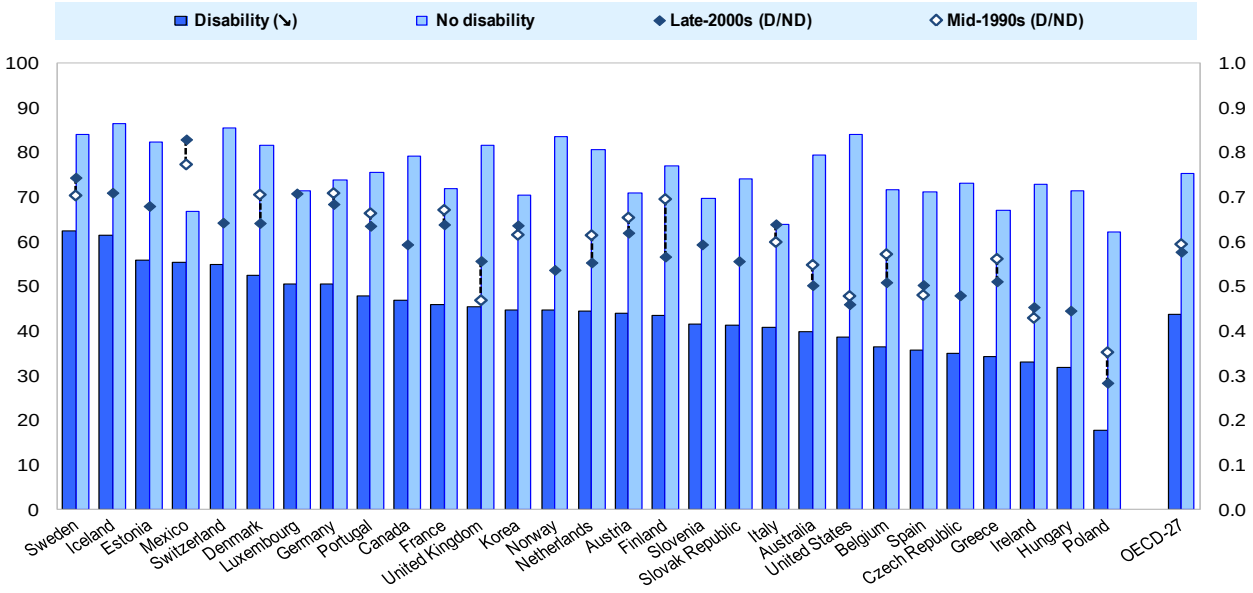


Source: EU SILC Eurostat online database, age 16-64 [hlth_silc_04].

2.2 Labour market trends for people with disabilities draw a picture of significant disadvantage

The employment gap between the disabled and the non-disabled population ranges between 20-40 % in old Member States while it tends to be much larger (up to 80 %) in new Member States. A recent report on sickness and disability in OECD countries concluded that the **job market disadvantage of people with disabilities showed very little or no improvement since the mid-1990s** (see Figure 4, OECD, 2010).

Figure 4. Employment rate by disability status in the late 2000s and change in the disability employment gap



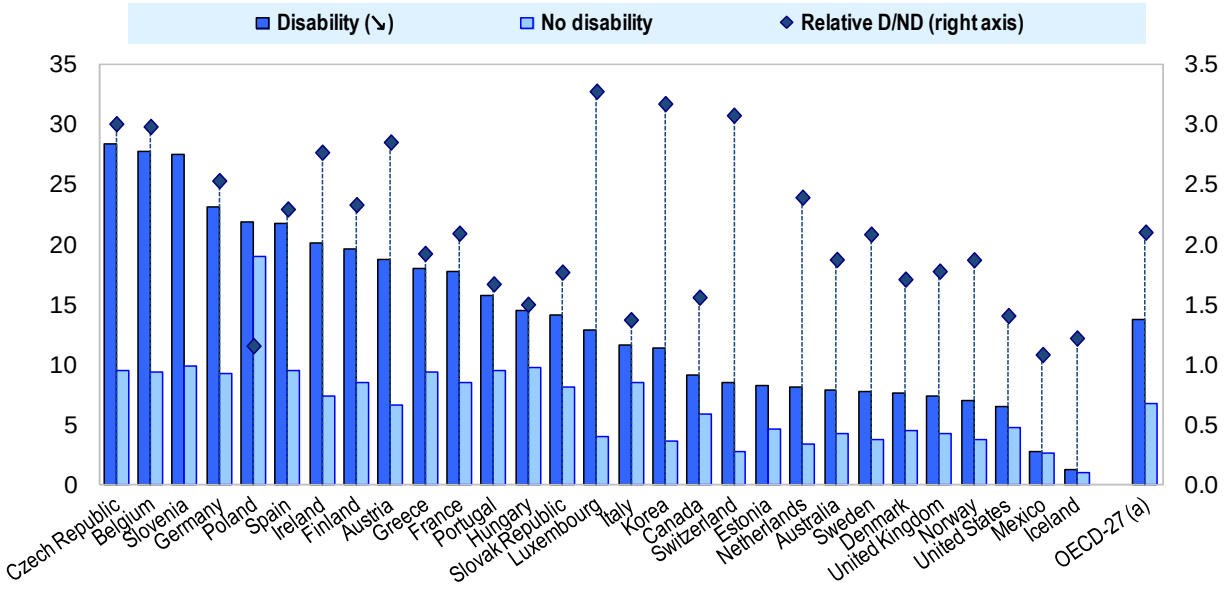
Source OECD 2010, Figure 2.1. (aged 15-64). Based on EU-SILC 2007 and ECHP 1995, except: Australia: SDAC 2003 and 1998; Canada: PALS 2006; Denmark: LFS 2005 and 1995; Finland: ECHP 1996; Korea: National Survey on Persons with Disabilities, 2005 and 1995; Mexico: ENESS, 2004 and 1996; Netherlands: LFS 2006 and 1995; Norway: LFS 2005; Poland: LFS 2004 and 1996; Sweden: ECHP 1997; Switzerland: LFS 2008; United Kingdom: LFS 2006 and 1998; and United States: SIPP 2008 and 1996.

The employment gap increases with the severity of disability and tends to be greater for the low educated (OECD, 2010), while there is no clear pattern as regards the difference across genders.[7] The unemployment rate for people with a disability is on average twice as high as for their non-disabled peers in OECD countries (Figure 5). People with disabilities are also much more likely to be out of the labour force.[8]

[7] Available evidence is mixed, see for example a comparison of LFS and SILC data in Ward and Grammenos. (2007).

[8] The share of the inactive is around 20 % in the working age non-disabled population and 50 % among people with disabilities (average of OECD countries in the late 2000s, OECD 2010.)

Figure 5. Unemployment rate by disability status in the late 2000s



Source: OECD 2010. Aged 15-64. Sources: See Figure 4.

2.3 Structural changes in labour markets and welfare responses explain most of the differences in the disability and employment rates

Low education levels, poor health, ageing, relatively generous benefits and a lack of demand for low skilled workers are the most likely factors that may explain the high incidence of disability benefit claims and the low employment rate of disabled persons in Europe.

As noted above, differences in health status only have a small role in explaining cross country differences in the incidence of disability claims, or changes across time. The impact of the business cycle also appears to be small, although there is some evidence that disability benefit claims increase during recessions (OECD, 2010).[9] In most countries, **structural changes in labour supply and labour demand factors appear more influential than demographic ones**.[10]

The common shock affecting most European countries in this policy area was the **sudden rise of disability benefit expenditure in the 1970s and/or 1990s** (Duncan and Woods, 1987; Lonsdale, 1993; and OECD, 2003). There is mounting evidence that the rise in disability benefit claims (or in some countries, the duration of benefit receipt) was itself **a response to changes in the labour market and in welfare systems,** rather than a symptom of demographic processes or developments in healthcare systems. The underlying cause was apparently a decline and structural shift in labour demand, and a subsequent rise in long term unemployment, which led to a rise in unemployment benefit expenditures. This could generate an incentive for claim-

[9] According to OECD calculations the overall impact of the economic cycle on the employment rate of men with disability is 1.1 %, which is a small effect compared with the 19 % impact on the employment rate stemming from having a disability. The impact on women is roughly twice as much as for their male counterparts (OECD, 2010). See also Meager and Higgins (2011).

[10] As opposed to transitory effects of the business cycle, structural changes may affect the equilibrium level of supply or demand, e.g. permanently reduce demand for low skilled workers.

ing disability benefits via two channels: directly, if governments eased eligibility criteria in order to reduce labour supply or indirectly, by reducing the value of alternatives, if governments responded by tightening access to or cutting the level of unemployment benefits. As a result, **disability benefits have become a benefit of last resort for the long-term unemployed or have discouraged the inactive population**.[11]

Similarly to benefit claims, the employment gap between disabled and non-disabled individuals is also determined by demographic and economic factors as well as national welfare policies. There is no definitive empirical evidence on the relative strength of demand or supply side factors in determining the disability employment gap, though economic factors are likely to be more important. The lack of clarity is partly due to the fact that demand for disabled workers is determined by the perceived productivity of disabled employees and possibly also by discrimination. While some of the employment gap can be clearly attributed to the lower educational attainment of the disabled population,[12] the remaining gap is difficult to account for as the underlying causes cannot be directly measured.[13]

As we show in detail in the next section, measures to reduce the disabled employment gap may include:

- early activation,
- labour supply incentives in benefit regulations,
- equal access to and additional support in public education,
- rehabilitation services to jobseekers and employers,
- anti-discrimination legislation and
- wage subsidies and other financial incentives for employers.

2.4 OECD countries converge towards activation oriented policies; these policies require the organisation of the complex co-operation of different agencies

Welfare provisions for the working age disabled population are dominated by cash transfers in all Member States (see **Table A2** and **Table A3** in the Appendix). **Most Member States spend at least ten times more on cash transfers than on services** promoting labour market integration.[14]

A recent study by the OECD presents convincing evidence of a convergence towards activation policies and away from generous cash transfers for people with disabilities. However, they also note that actual practice lags behind: in most countries, the tightening of benefits and the introduction of new activation tools have not yet led to a significant shift in spending nor to a **significant improvement in the labour market integration rates** of people with disabilities (OECD, 2010).

The implementation lag is likely to be at least in part due to the difficulty of the task. The introduction of new benefit rules and services **requires the cooperation of sev-**

[11] Kohli et al. (1991) claim that in the Netherlands, Sweden and Germany, incapacity benefits became an institutionalised way in which older workers can withdraw from the labour market as an alternative to unemployment. Vanhuysse (2004) and Scharle (2008) show how a similar process unfolded in Hungary and Poland in the 1990s.

[12] In 2007, the share of persons with a disability with less than upper secondary education was almost twice the share of those without disability and the gap was larger in the younger cohorts (OECD, 2010: 27).

[13] See Jones (2006) or Ward and Grammenos (2007) for recent estimates of employer discrimination.

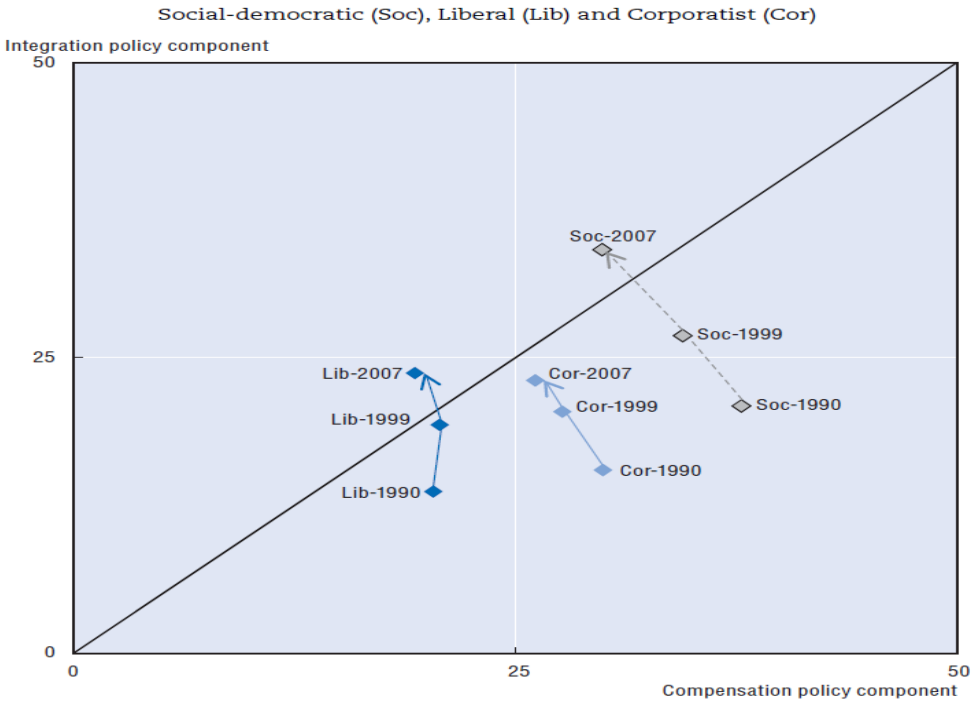
[14] Exceptions include Denmark, Germany, Luxembourg, Finland and Sweden, where the share of cash transfers is more balanced. Note however, that data on welfare spending is not available for all Member States or may not be fully comparable.

eral administrative and policy making bodies: ministries, pension and health insurance funds, healthcare institutions, training providers and the public employment service. It can be blocked by PES frontline staff unwilling to implement sanctions or interest groups and it may also fail if there are insufficient resources to build expert capacity for providing high quality services.[15]

Nevertheless, the example of early reformers (e.g. Sweden) confirms that the shift from cash transfers to services is possible to implement and once matured, these measures lead to an improvement in labour market outcomes for people with disabilities (see Figure 4).

Importantly, the OECD review found **similar trends in disability policies across welfare regime types** (OECD, 2010; see Figure 6 below). Constructing two composite indicators for measuring the dominance of policies that encourage labour market integration on the one hand and generosity of cash benefits on the other hand, they find a definite shift towards the former between 1990 and 2007. Although Social Democratic regimes (covering the Nordic states, Germany and the Netherlands in their typology) move faster than Liberal (Anglo-Saxon countries except Ireland, Japan and Korea) and especially Corporatist (Continental Europe and Ireland) regimes; changes over the past decades point in the same direction.[16]

Figure 6. Convergence of disability policies



Source: OECD (2010). The *Integration policy component* is a composite indicator of legal provisions to enhance labour market integration and access to rehabilitation services; the *Compensation policy component* is an indicator of access to and level of cash transfers (for a detailed explanation see OECD, 2010: 85).

[15] The timing of reforms is also crucial. For example, the successful reforms in the Netherlands were mostly implemented before the global crises as opposed to the UK, where re-assessments of ability to work and new incentives for activation were introduced during the economic crisis when vacancies were scarce for all job seekers. This may have demotivated PES staff and was also likely to reduce the impact of the reform.

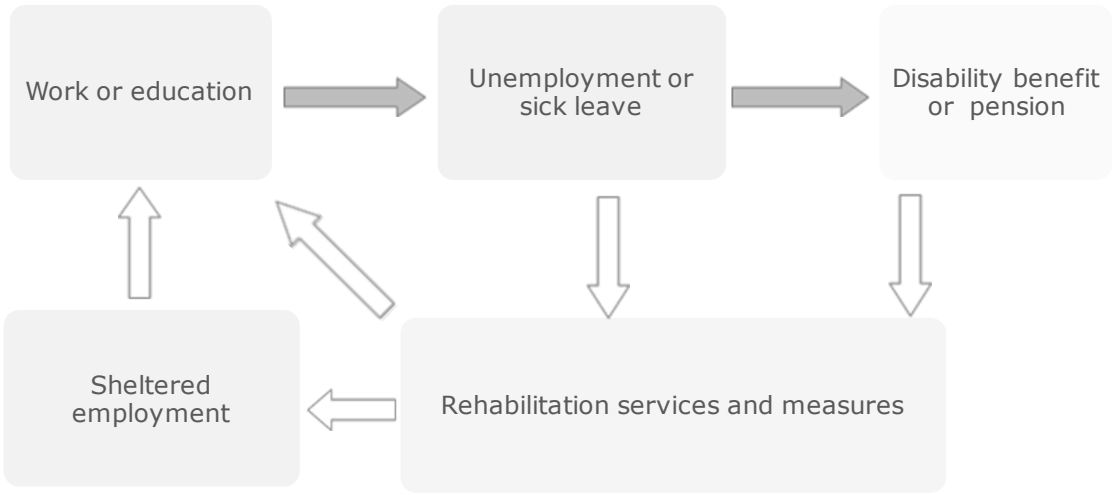
[16] The typology is based on clustering OECD countries on detailed indicators describing their disability policies in 1990.

Shifting resources from cash transfers to services is a necessary element of reforms: first, it makes activation financially feasible, and second, it generates sufficiently strong incentives for labour supply.[17] Expanding the provision of rehabilitation services alone may not be enough, as suggested by the experience of Norway, where the disability employment gap has remained large, despite highly developed rehabilitation services.

2.5 Most countries provide rehabilitation services, but few meet existing demands

To achieve robust employment outcomes, disability policy must tackle all the stages of entering and exiting the labour market and in all stages, measures should ensure early and well targeted access to high quality rehabilitation services while limiting access to cash transfers to those in genuine need. Figure 7 outlines the main intervention points with the blue arrows representing movement away from the labour market and the white arrows representing movement towards the labour market. Policies must be designed in a way to discourage or prevent exit and support permanent integration into the labour market.

Figure 7. Points of intervention in activation policies for people with disabilities



In current practice, practically **no European country has a fully developed system** that successfully tackles all the exit and entry points outlined in Figure 7. Most Member States provide legal protection against discrimination,[18] many have introduced quotas to encourage the hiring of disabled job seekers, and several Member States have tightened access to disability pensions.[19] However, **rehabilitation services are underdeveloped, underfunded or underused**, except in Finland, France, Germany,

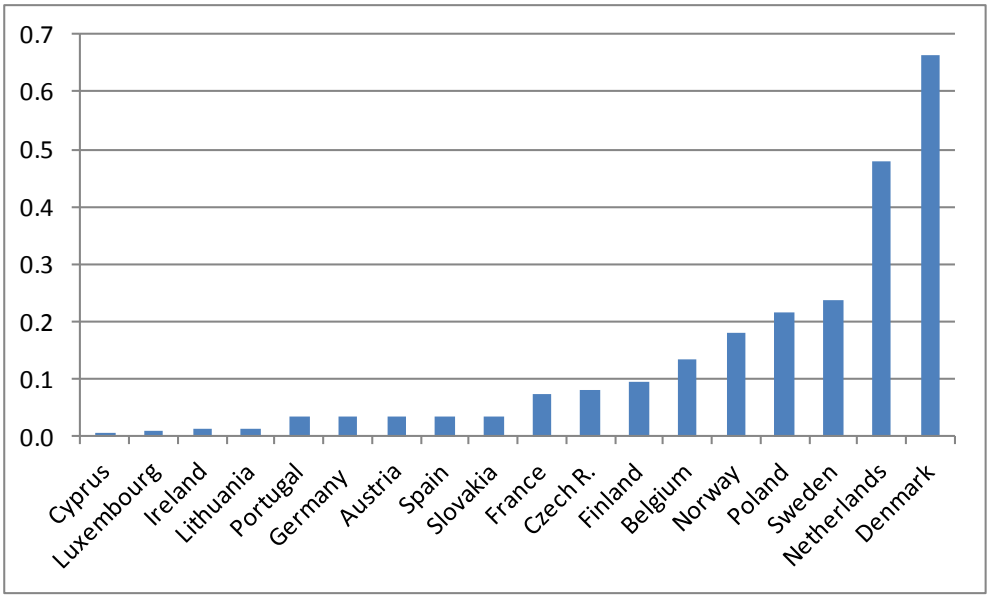
[17] For a recent review of the empirical literature on the labour supply effects of disability benefits, see for example Marie and Castello (2012).

[18] All Member States signed the UN Convention on the Rights of Persons with Disabilities of 2006 and most ratified it soon after, except for Ireland, Finland and the Netherlands.

[19] See Table A4 in the Appendix for an overview of the main measures.

the Netherlands and Sweden. While EU Member States spend between 0.23 and 1.91 % of their GDP on active labour market programmes and PES services; funding for rehabilitation measures ranges between 0.06 (Cyprus) and 0.66 % (Denmark).[20] Supported employment is available as a national program in 11 of the 27 Member States.[21]

Figure 8. Public spending on rehabilitation services and sheltered employment in 2010, % of GDP



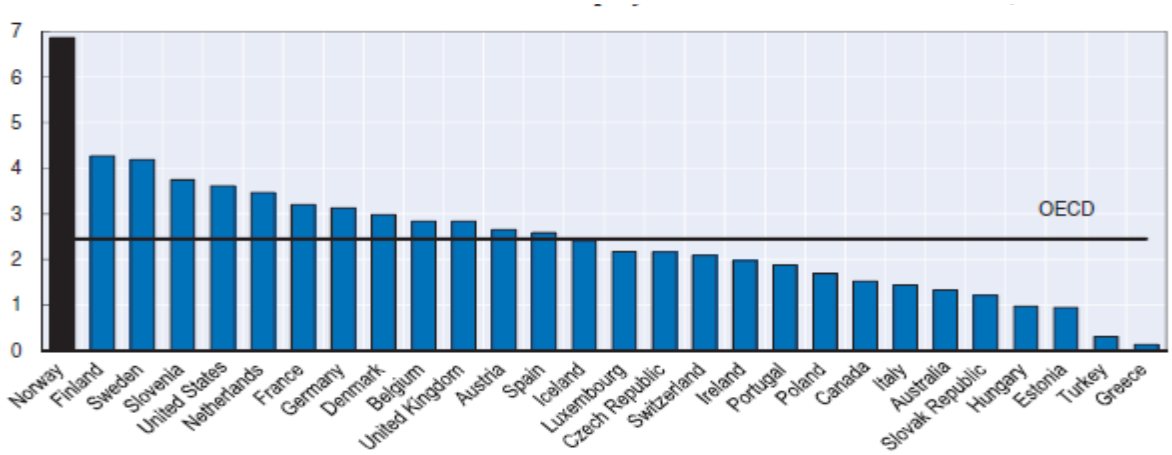
Source: Eurostat online. Data are not available for several Member States.

Preventive measures during sick-leave and incentives to reduce the number of days spent on sick leave pose a challenge even in those countries where activation measures are otherwise well developed (see Figure 9).

[20] Except for Denmark, Finland, and Germany, most of this is spent on sheltered employment.

[21] These include Austria, Cyprus, Finland, Germany, Ireland, Luxembourg, Malta, the Netherlands, Portugal, Spain, and Sweden. See Table A4 in the Appendix for more detail.

Figure 9. Incidence of sickness absence of full-time employees in selected OECD countries, 2010[a,b]



a. 2004 for Australia, 2007 for Iceland, 2008 for the United States and 2009 for Ireland. The incidence of work absence due to sickness is defined as the share of full-time employees absent from work due to sickness and temporary disability (either one or all days of the work week). Data are annual averages of quarterly estimates. Estimates for Australia and Canada are for full-week absences only.

b. OECD is the unweighted average of the countries shown in the chart.

Source: *OECD Absence Database*, based on the European Union labour force survey and national labour force surveys for Australia, Canada and the United States.

In a fully developed system, **preventive measures start in public education**, eliminating the barriers for disabled children and young people to enter further education. The currently observed large disability education gap (i.e. the difference in education levels between the disabled and non-disabled population of the same age) suggests that Member States have yet to achieve equal access to secondary and tertiary education. The importance of this is underlined by research evidence showing that **education explains most of the wage disadvantage of disabled workers** (rather than their lower productivity or discrimination by employers). In a study on the effect of disability on labour supply in the UK, Walker and Thompson (1996) find that the main effect of disability on wages is through schooling (and lower educational attainment levels), so that disability alone has little effect on wages, while it considerably reduces the likelihood of participation.[22]

[22] They controlled for the endogeneity of schooling (i.e. that disability has an impact on the level of education), and modeled separately the effects of disability on participation and wages.

3. PES services for disabled jobseekers and employers

There is very little academic research on the relative efficiency of the various institutional arrangements of the policies promoting the labour market integration of people with disabilities. The following sections build mainly on national practices that have been described as good practice by international organisations and that have demonstrated some success in reducing the disability employment gap.[23]

3.1 Most PES provide mainstream or targeted services to disabled jobseekers and PES also act as signposts or providers of rehabilitation services

Most Member States provide access to their regular services and measures to disabled job seekers. Where **rehabilitation services are** available, **in most cases** these are also **administered or signposted by the PES**. This practice seems justified in view of the general aim to ensure equal treatment and to foster integration into the regular labour market. Administering employment services for disabled jobseekers in a separate organisation may lead to inefficient duplications in developing and providing services and maintaining vacancy databases, unless the dedicated agency closely cooperates with the PES. There is no up-to-date information on whether the few countries that operate a separate system (e.g. Austria, Bulgaria, Romania and most recently Hungary) have managed to handle this risk.[24]

Most countries with an extensive rehabilitation system appear to use one of two possible arrangements:

- a ***dedicated unit*** **within the PES** that provides services directly to disabled job seekers (e.g. Denmark, France, Italy, Malta, or Sweden),
- ***specialised counsellors*** **who refer disabled job seekers to external service providers**, mainly NGOs with a specialisation on the specific disability (e.g. Finland, Germany, Ireland, the Netherlands or the UK).

Where rehabilitation services are mainly subcontracted the PES typically have specialist counsellors (e.g. Finland) or some training provided to generalist counsellors (e.g. in Denmark, Germany, the Netherlands and the UK). In countries where rehabilitation measures are less developed, and counsellors are not specialised, some PES offer at least diversity awareness courses for counsellors.[25] There is no information available on whether PES have specific provisions regarding the depth and timing of individual action planning or the frequency of meetings with PES counsellors.

The role of counsellors depends on the business model of the PES. The monitoring function of the PES is strongest when services are outsourced and providers are paid at least partly depending on the outcomes, as in the case of the Netherlands and the UK.

Employer counselling on disabled workers is provided by few PES and if so, the main focus is on recruiting disabled job seekers, workplace adjustment and available subsi-

[23] The two main sources were OECD (2010) and Cowi (2011).

[24] An earlier study noted that there is almost no co-ordination between pension insurance, work injury insurance, the PES and the regional authorities in Austria (OECD, 2003).

[25] In general courses are offered in-house, using largely internal expertise and are rather ad hoc in nature. More formal training structures exist, e.g. Slovenia, France, Finland, Belgium, Ireland (European Commission, 2012).

dies. Some PES employ disability employment advisors to assist employers that are considering recruiting disabled individuals (e.g. the UK or Germany).

Measures to prevent transfer into unemployment during sick leave are rare. One exception is the Netherlands, where employers and employees on sick leave are obliged to develop, follow and update a 're-integration plan' called IRO.[26]

3.2 Personalised ALMP measures for disabled job seekers tend to be more effective than anti-discrimination measures or quota systems

The promotion of hiring disabled job seekers presupposes a legislative framework that ensures equal rights and provisions against discrimination in the labour market. More proactive measures may include employment quotas or an explicit equal opportunities strategy for public institutions that determines targets for hiring disadvantaged job seekers.

Empirical **research tends to find there is no employment effect of anti-discrimination legislation** or even negative effects in some cases.[27] There is **mixed evidence on** the merits of **quota systems**: for example, Lalive et al. (2009) find that Austrian firms exactly at the quota threshold employ 0.05 (20 % in relative terms) more disabled workers than firms just below the threshold, while Wagner et al. (2001) and Verick (2004) find a similar quota system in Germany had no effect.[28]

Active labour market programmes offered to disabled job seekers **may include mainstream programmes with or without additional support** to compensate for their disability (such as interpretation or help with transportation) **and programmes tailored to their specific needs** such as vocational rehabilitation, supported employment, targeted wage subsidies or sheltered employment.

[26] The Netherlands also introduced experience rated insurance, i.e. that firms with a worse record of preventing or tackling work related disability pay higher insurance fees (see Koning, 2004).

[27] See for example Humer et al. (2007) for Austrian legislation to protect severely disabled workers or Bell and Heitmueller (2009) on anti-discrimination legislation in the UK.

[28] It should be noted that empirical research on quotas is rather scarce, despite the fact that many EU Member States have some sort of a quota system (see Table A4 in the Appendix).

Table 1. Main types of ALMP targeting disabled job seekers

	Sheltered employment	Wage subsidies	Vocational rehabilitation[29]	Supported employment[30]
Main elements	Placement in a sheltered workshop, subsidy to employer and/or employee, on the job training	Subsidy to employer	Ability testing, case management, training, placement, work adjustment measures	Individualised vocational rehabilitation and job preparation (trials), job coaching and follow-up support
Target group	Severely disabled	Less severely disabled	Less severely disabled	All levels of disability
Typical outcome	Stable but segregated employment, transition to open labour market is rare	Employment in the open labour market with subsidy	Employment in the open labour market with or without subsidy	Permanent employment in the open labour market

Entitlement to ALMP may be restricted to those (potentially) entitled to disability benefits (e.g. in Austria), or may involve a separate assessment process which is independent of benefit eligibility and thus be accessible for everybody (e.g. in Denmark, France, Portugal and Switzerland). In some countries, it is assumed that people with moderate disabilities do not need special vocational rehabilitation (OECD, 2003).

Participation in such programmes may be entirely voluntary, or it may be compulsory before a disability benefit could be granted. In some Member States rehabilitation is more or less compulsory before a benefit claim can be awarded (e.g. in Austria, Denmark, Germany, Hungary, Poland, Spain, Sweden), while participation is voluntary in France, Italy, and the UK. In most countries, rehabilitation will only begin after stabilisation of the person's medical condition and rarely in the first year, which is often too late (OECD, 2003).

Existing empirical evidence suggests that **personalised services such as supported employment,** rather than large scale uniform programmes (training or sheltered workshops), **are more effective in promoting a transition into the open labour market.** Reliable evidence however is relatively scarce in Europe, especially compared to the US, where rehabilitation programmes were started much earlier and the demand for rigorous impact assessments has been greater (Van Lin et al, 2002 and OECD, 2010).[31] There is also some evidence, mainly from studies in the US, that the combination of relatively expensive personalised services (such as supported employment) and sanctions is cost-effective as opposed to sheltered employment (Cimera, 2008; Kregel and Dean, 2002; Beyer and Robinson, 2009).

[29] For a more detailed description see e.g., the list at the website of the Vocational Rehabilitation Association UK. Available at: http://www.vra-uk.org/node/6

[30] For a more detailed description see e.g., the best practice guidelines issued by the UK Government or the toolkit of the European Union of Supported Employment.

[31] Most of the disability policies recommended by the OECD originate from the US where rehabiliation programmes were introduced very early and have also been subject to sophisticated impact evaluations. For an early review of such studies see e.g., Berkowitz (1988).

Box 1 Vocational training to turn disability into ability in Germany

A recent German initiative, *'discovering hands',* trains blind and visually impaired women to become Clinical Breast Examiners (CBEs) using a specially developed, standardised and quality-assured concept of examination which enables early detection. The training lasts nine months and it is held in qualified vocational training centres for persons with disabilities (Berufsförderungswerke) across Germany, ending in an exam at the North Rhine Medical Association. Through the training, *discovering hands* transforms a perceived 'disability' into a capability and simultaneously makes a valuable contribution to enhancing the range of professional opportunities for visually impaired persons, while improving healthcare provision.

The German Association of Vocational Training Centre for People with Disabilities (Arbeitsgemeinschaft Deutscher Berufsförderungswerke) is an association of 28 Vocational Training Centres throughout Germany, offering a range of specialist services such as information, diagnostics, training and help in finding a job.

For more information see Internet: http://www.zeroproject.org/practice/zero-project-selection-2013/blind-women-as-experts-in-detecting-breast-cancer/

Box 2 Supported Employment in Spain

After assessment at the PES, disabled jobseekers are likely to receive a disability pension and they are able to choose what service they would like to use. Clients may initiate contact with a supported employment service provider themselves, but they will nevertheless have to register and be approved by PES.

Job coaching can be done by PES, but is normally delivered by private service providers, who can apply to PES for funding when a client has registered and is approved by PES.

In accordance with Spanish supported employment regulations, there is a time limit follow-up fixed to 30 months, but many projects maintain contact with the client for as long as clients or employers feel the need.

Currently about 200-300 (mainly private) service providers employ between 400-500 job coaches who assist about 5 000 persons with high support needs in the open labour market. Job coaches must have a university degree. AESE, the Spanish national supported employment association, offers an internet- based course in supported employment.

During the period 1995-2008, 14 159 people with disabilities found employment through supported employment and of those, 5 090 persons, or 32 %, were still working in 2008. The Institute on Community Integration, INICO, at the University of Salamanca conducts independent evaluations and monitoring of supported employment programmes.

For more information see Internet: http://www.zeroproject.org/policies/y2013/spain/ and Cowi (2011).

Experiments with a variety of financing arrangements and incentives for service providers suggest that **outsourcing these services is most efficient in the case of hard to place clients**, and that partially outcome based financing can be effective if perverse incentives are constrained by financing tools and monitoring (Corden and Thornton, 2003; Finn, 2009; European Commission, 2011a).

Though several PES use external providers to serve disabled clients, only the Netherlands and the UK uses outcome based funding on a large scale. Pilots to test the effects of outcome based funding have been started recently, e.g. in Germany and Sweden.

In Germany, there is some indication that tendering procedures that focus on price lead to the cheapest provider winning the contract which may jeopardise quality as providers offering more extensive services are often more expensive. The German PES is now reported to be placing greater emphasis on the quality of subcontracted provision, but some case study evidence suggests that procurement may still be price driven (European Commission, 2011a).

Box 3 Outcome based funding in the Netherlands

In the Netherlands, the whole supported employment process and case management are contracted out, but the PES (UWV) also employ a number of job coaches (reintegration coaches). The service packages are called trajectories and include case management, assessment, rehabilitation, vocational and/or job search training, mandatory work experience, extended work trials and job placement and retention services.

These packages are purchased by UWV or municipalities via tenders. Service providers are paid on the basis of outcomes, following a 'no cure, less pay-policy'. In the case of IROs, the provider is paid 20 % at the start of an agreed plan, another 30 % after six months participation, while the last 50 % of the agreed fee is paid if the client is placed and retains the job.

For more information see: European Commission (2011a)

Box 4 Monitoring disability policy coordination and delivery in Sweden

Handisam – The Swedish Agency for Disability Policy Co-ordination – is a government agency in Sweden under the Ministry of Health and Social Affairs.

Handisam was established in 2006 with a staff of about 25 to accelerate the implementation of the ongoing national plan for disability policy.

The main tasks of Handisam are:

- to promote strategic implementation of disability policy,
- to provide the Government with relevant facts and
- to support accessibility.

Handisam collates the findings of relevant national authorities in annual monitoring reports which are made public on their website. In 2013 they initiated the development of a voluntary monitoring system for municipalities and county councils, which will annually present key indicators of the performance of municipalities and county councils in implementing the national disability policy.

For more information see Internet: http://www.handisam.se/english/

4. Partnerships and cooperation

As already noted above, where the PES offers extensive rehabilitation services this is often delivered by external service providers contracted by the PES. This is justified on account of the diversity and specificity of the needs of disabled job seekers. **External providers may be more efficient in supplying the expertise needed for rare cases**, e.g. in assessing competencies, **or may be able to specialise** on different types of disability, which is not be feasible for local PES branches.

Other partners that may play an important role (apart from the usual contacts with employers and municipalities) include:

- disability interest groups,
- advocacy organisations promoting equal rights and
- medical institutions.

Partnerships may focus on the further development of training programmes and services that are tailored to the special needs of particular disabilities; awareness raising and activation for prevention and early action; or on promoting anti-discrimination and working against prejudices that hinder the labour market inclusion of people with disabilities.

Box 5 Campaigning against prejudices in Sweden

The Swedish PES launched a campaign in 2010 called 'See the potential!' (Se kraften!), to encourage employers to identify skills rather than focusing on the disabilities of job seekers and to increase their willingness to hire disabled people by convincing them that disabled individuals can make a valuable contribution in the workplace. The campaign includes TV-ads, radio-spots, letters and brochures to employers followed-up by personal contact from advisors.

In a related project, the Swedish Agency for Disability Policy Co-ordination (together with the National Collaboration for Mental Health) launched a national campaign, called Hjärnkoll, directed towards media and training for special targeted groups, such as employers, healthcare staff and police. The campaign is run by a large network of people with their own experiences of psychosocial health problems, who are themselves the spokespersons of the campaign.

The effects of the first two years of the campaign have been evaluated and results show that it is possible to change negative attitudes and behaviours.

For more information see Internet: http://www.zeroproject.org/practice/zero-project-selection-2013/anti-stgma-campaign/ and www.cepi.nu for evaluations.

5. Conclusions

Reduced work capacity in the working age population has received increasing attention during the past decade as it poses a challenge to Europe in achieving inclusive and sustainable growth. If adequately designed, disability policies can greatly contribute to social inclusion and improved and sustainable employment opportunities; PES can play an important role in implementing these policies.

While there seems to be a consensus among experts and policy makers that policy should shift from cash transfers to rehabilitation services, implementation lags behind.

A significant improvement in the labour market integration of people with disabilities would require above all:

- a bolder move towards activation and away from cash transfers,
- a shift of resources from sheltered work to supported employment,
- strengthening activation in early stages (during sick leave) with better cooperation with healthcare providers ,
- stronger performance incentives, e.g. carefully designed outcome based financing for external service providers and
- more systematic data collection, monitoring and impact evaluations.

Public employment services may contribute to all the above measures by collecting and disseminating evidence on the effectiveness of rehabilitation services, by developing the effectiveness of these services and by strengthening partnerships with stakeholders. Developing their profiling tools would also be crucial as these are required for the proper targeting of expensive personalised services to those most in need.

Papers published in the PES to PES Dialogue programme provide detailed information on good practices in developing partnerships, outsourcing, profiling tools and monitoring.

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Appendix

Table A1. Relative size of the working age non-employed disabled population and the non-disabled unemployed population in 2002, % of population aged 15-64

	Non-employed population with disabilities	*Non-disabled unemployed population*
Finland	13.0	8.5
UK	12.3	3.8
Estonia	12.1	6.6
France	10.8	6.1
Netherlands	10.7	1.8
Belgium	10.6	4.3
Czech R.	10.5	4.5
Slovenia	10.2	3.9
Hungary	10.1	3.7
Denmark	9.4	3.5
Portugal	8.9	3.3
EU15	8.5	5.2
Norway	8.5	3.2
EU25	8.2	5.5
Slovakia	6.6	13.7
Latvia	6.6	9.6
Ireland	6.5	3.0
Greece	6.5	6.6
Cyprus	6.4	2.3
Germany	6.4	5.9
Austria	6.3	3.4
Estonia	6.2	7.7
Luxembourg	6.0	1.8
Malta	5.8	4.1
Sweden	5.4	3.6
Romania	4.3	5.9
Italy	4.1	5.5

Source: Author's calculation based on Eurostat LFS 2002. Measured in proportion to the population aged 15-64.

Table A2. Public spending on rehabilitation 1995-2010, EUR per inhabitant (at constant 2000 prices)

	1995	*2000*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*
EU 15	18.1	20.6	23.5	31.2	33.3	33.9	35.8	35.3
Belgium	0.3	6.4	4.4	5.1	5.6	6.1	6.6	6.9
Czech Republic	0.0	0.0	0.0	0.1	1.4	2.3	2.6	2.0
Denmark	43.9	59.1	64.4	67.5	52.3	55.9	61.4	
Germany	50.3	52.7	60.9	59.4	58.7	59.8	62.8	61.6
Estonia		0.5	1.9	2.2	2.7	3.9	3.7	3.6
Ireland	6.2	17.7	24.8	25.5	26.1	27.2	31.2	34.2
Greece		15.0	18.4	15.5	15.9	16.4	16.4	15.9
Spain	7.2	13.9	26.0	26.9	27.8	25.3	23.6	20.0
France	0.0		0.0	50.0	50.2	49.2	51.0	52.3
Italy	4.1	6.4	1.3	1.4	1.1	1.3	2.5	2.0
Cyprus		1.5	2.3	2.6				
Latvia		1.2	1.0	1.6	2.0	1.3	1.1	1.0
Lithuania		2.0	2.5	1.9	1.2	1.8	1.7	1.7
Luxem-bourg		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hungary		0.1	0.6	4.4	6.1	5.9	6.5	2.6
Malta		10.3	11.8	12.7	14.0	14.1	13.2	13.2
Nether-lands	38.7	57.3	54.7	53.2	108.2	110.3	117.4	128.5
Austria	0.0	5.4	4.3	5.0	4.7	5.2	5.6	5.5
Poland		1.6	1.5	2.0	2.2	2.8	1.6	1.4
Portugal	6.1	7.9	9.0	8.9	9.0	8.5	10.3	10.1
Romania		1.9	0.3	0.3	0.3	0.3	0.2	0.2
Slovenia		8.0					7.3	7.4
Slovakia	0.0	0.0					0.2	0.3
Finland	67.8	79.5	92.4	91.2	91.7	92.7	91.3	91.6
Sweden	31.3	53.2	51.5	49.5	49.7	46.8	44.8	50.0
United Kingdom	0.2	0.3	0.4	0.3	0.3	0.2	0.2	0.1

Source: Eurostat Social protection expenditure disability function [spr_exp_fdi]
Note: Rehabilitation is defined as a provision of specific goods and services (other than medical care) and vocational training to further the occupational and social rehabilitation of disabled people. Medical rehabilitation - such as physiotherapy - is excluded (Esspros Manual).

Table A3. Public spending on cash transfers for disabled persons, 2000-2010, EUR per inhabitant (at constant 2000 prices)

	1995	*2000*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*
EU15		337.9	349.0	352.7	351.6	353.8	364.1	363.5
Belgium	339.5	332.0	407.7	388.8	384.0	400.7	426.4	441.1
Bulgaria			27.3	30.7	29.1	30.2	36.3	37.1
Czech Republic	59.9	75.2	112.4	135.3	150.1	163.8	158.4	163.3
Denmark	698.6	745.2	1047.1	1073.0	1087.4	1104.0	1160.8	1184.7
Germany	383.2	408.8	403.7	399.9	391.0	399.9	405.4	408.3
Estonia		33.8	70.3	78.2	84.4	96.6	110.0	115.8
Ireland	134.7	170.6	259.1	280.4	301.2	329.7	366.8	356.4
Greece		119.6	161.8	164.7	178.8	178.6	192.4	179.8
Spain	196.2	226.4	236.1	241.1	247.5	250.1	261.7	262.3
France	262.6	273.2	304.8	338.1	337.1	336.4	343.0	347.9
Croatia						244.6	245.4	250.4
Italy	271.0	283.4	312.7	312.5	320.1	319.5	337.1	331.2
Cyprus		60.6	85.0	92.7	89.7	94.8	99.5	98.1
Latvia		30.8	29.1	32.7	32.5	39.7	48.1	50.0
Lithuania		31.9	63.1	72.2	90.6	101.8	107.1	99.1
Luxembourg	992.3	974.1	1070.9	1072.6	992.8	954.1	955.5	934.7
Hungary		80.4	125.7	119.4	123.2	122.8	100.4	93.9
Malta		84.3	103.3	100.7	97.6	90.5	82.3	77.2
Netherlands	768.0	705.7	647.2	619.8	603.0	607.9	611.0	598.2
Austria	554.8	594.9	540.4	520.5	498.6	485.2	490.4	490.0
Poland		127.8	114.5	115.0	111.4	115.7	84.0	97.6
Portugal	215.3	281.3	268.1	273.8	276.3	258.5	258.6	253.2
Romania		12.4	14.2	17.1	25.2	29.5	28.6	27.3
Slovenia		203.3	191.4	196.4	185.6	183.9	183.4	179.7
Slovakia	42.1	50.3	58.8	66.5	78.4	85.2	101.0	106.3
Finland	828.1	667.9	692.5	686.4	683.2	695.7	710.9	704.3
Sweden	613.4	711.7	840.6	830.5	816.1	742.5	638.1	621.1
United Kingdom	424.5	577.8	534.0	591.3	626.1	577.1	524.3	524.9

Source: Eurostat Social protection expenditure disability function [spr_exp_fdi].

Table A4. Main elements of labour market integration policies for the disabled

	sheltered employ-ment	wage subsi-dies	employ-ment quotas	Main provider and type of rehabilitation ser-vices		
					take-up	supported em-ployment
Austria	+	++	bps	PES + BSA	++	national
Belgium	++	+	p	PES	+	local
Bulgaria	+		b(s)	PES+ ADP	+	-
Cyprus			ps	PES	+	national
Czech Republic	++		bps	PES	+	ngo
Denmark	++	++		PES	++	local
Estonia				PES	+	local pilot
Finland	+			PES	++	national, ngos
France	++	++	bps	PES	+	(limited, national)
Germany	+	+	bps	PES	++	national
Greece			bps	-	-	ngo
Hungary	++	+	bps	NRSZH	+	ngo
Ireland	+		p	PES	+	national
Italy	++	+	bps	PES	+	local, ngo
Latvia				PES	-	(limited, ngo)
Lithuania	+	+		PES	+	(limited, national)
Luxembourg	+		bps	PES	+	national
Malta			bp(s)	PES	+	national
Netherlands	++	+		PES	++	national
Poland	++	+	bps	PES	+	local pilot
Portugal	+	+	ps	PES	++	national
Romania	+		bps	DGPPH	+	ngo
Slovakia	+		bps	PES	+	(limited, national)
Slovenia	++		bps	PES	+	(limited, national)
Spain	++	+	bps	PES	+	national, ngo
Sweden	++	++		PES	++	national, ngo
United Kingdom	+	+		PES	+	(limited, national) ngo

Notes: b=applies to business sector p=applies to public sector, s= sanctions imposed on non-compliance. ..=no information available. +=exists, but not on a large scale, ++ = used on a large scale (take-up exceeds 20 % of annual inflow into disability benefit).

Sources: Cowi (2011), European Commission (2011b) and DOTCOM (http://www.disability-europe.net/dotcom) on rehabilitation services, Greve (2009) on sheltered employment and quotas.