FOREWORD

Sickness and disability is a key economic policy concern for many OECD countries. Medical conditions, or problems labelled as such by societies and policy systems, are proving an increasing obstacle to raising labour force participation and keeping public expenditure under control. More and more people of working age rely on sickness and disability benefits as their main source of income, and the employment rates of those reporting disabling conditions are low. There is now an urgent need to address this "medicalisation" of labour market problems. In the current economic downturn, there is a risk that countries may be tempted to revert to using sickness and disability schemes to massage politically sensitive unemployment figures. The current context makes the reforms in Sweden especially important, but potentially more challenging to manage politically.

The OECD's Thematic Review on Sickness, Disability and Work examines national policies to control the inflow into sickness and disability benefit programmes, and to assist those beneficiaries who are able to work to reintegrate the labour market. It attempts to discover what leads a person with a health problem to withdraw from the labour market or remain outside of it, and to identify areas for further policy improvement. The main concern of the review is with people who could work but do not work. Many people with health problems can work and want to work, so any policy based on the assumption that they cannot work is fundamentally flawed. Helping people to work is potentially a "win-win" policy: it helps people avoid exclusion and have higher incomes while raising the prospect of more effective labour supply and higher economic output in the long term.

Sweden has not formally participated in the OECD's Thematic Review of eleven countries published in Volumes 1-3 of *Sickness, Disability and Work: Breaking the Barriers*. Instead it requested the OECD Secretariat to review the potential of its most recent and ongoing reforms, especially in regard to sickness absence and sickness benefit policy. This report is an assessment of the Swedish reforms, which aim to lower inactivity and increase participation, against the background of recent trends and policy responses in other OECD countries. It looks at what Sweden is currently doing and what more it could do to transform its sickness and disability schemes from passive benefits to active support systems that promote work. The report consists of three sections. Chapter 1 sets the scene by looking at key trends in the past 15 years and main policy responses until 2006. Chapter 2 discusses sickness and disability policy reforms introduced or further elaborated by the new government. Chapter 3 looks at what is needed in the short and long term to make the reforms work.

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