The state's activities in supporting disabled people and persons receiving pension for incapacity for work

Does the support system meet its objectives?

Report of the National Audit Office to the Riigikogu
Tallinn, 18 October 2010

Summary of audit results

There are currently 120,000 disabled people (incl. children) in Estonia. Disability means loss or deviation of an anatomical, physiological or mental structure or function of a human being, which in confluence with various dispositional and environmental obstacles prevents a person from participating in social life on equal bases with others. The number of disabled people has increased 38% in the last nine years.

There are approximately 78,000 persons receiving pension for incapacity for work in Estonia. Loss of capacity for work is a condition where a person has lost the capacity for work fully or partially due to a permanent health disorder and cannot earn a living by working, or by working in the same extent as before. Permanent incapacity for work is determined in persons aged 16 to retirement age. The number of persons receiving pension for incapacity for work has increased 75% in the last nine years.

In the course of its audit the National Audit Office assessed whether the system for supporting disabled people and persons receiving pension for incapacity for work is economical and guarantees that support is only given to the people whose additional expenses arising from a disability need to be covered or who are unable to work for a living.

The state has deemed it necessary to support people who have lost the opportunity to earn the same kind of living as before due to their loss of capacity for work and pays such persons pension for incapacity for work. Expenditure has grown constantly due to the increase in the number of persons receiving pension for incapacity for work and the amount of the pension with the state spending 663 million in 2000 and as much as 2.5 billion kroons in 2009.

716 million was spent on all social welfare benefits paid to disabled people in 2009 whilst the amount spent on these benefits a year before was 662 million. Disabled people are paid social welfare benefits to compensate for the additional expenses incurred as a result of a disability.

The National Audit Office finds that the current system of supporting disabled people and persons receiving pension for incapacity for work is not economical and does not meet its objectives, as the state is unable to assess the additional expenses arising from the disabilities of people adequately and the amount of the pension for incapacity for work does not depend on the income earned at the same time. In addition to monetary support, disabled people and persons incapacitated for work should also be offered assistance in the form of rehabilitating and other services, but these services are not available to everyone.

In respect of working-age people, the state can assess the additional expenses resulting from a disability only partially. The National Audit Office found that the state is unable to assess the additional expenses arising from a disability, as almost one-third of disabled people for whom medicaments are an additional expense arising from their disability had actually not bought any prescription medicaments in almost a year. Only 15.4% of the disabled people one of whose additional expenses arising from their disability was assumed to be the expense of acquisition or use of a technical aid had actually purchased technical aids partially compensated for by the state. Disabled people who qualify for old-age pension and disabled children are supported with a certain amount of money every month and its size depends on the severity of the disability. Disability is identified according to the need for personal assistance. The support system applied to working-age people since 2008 is structured in such a manner that the additional expenses resulting from a disability are ascertained in the course of an expert analysis and the amount of support paid to the person every month is calculated on the basis thereof.

The state has no overview of the supply of social welfare services to disabled people. In addition to money, disabled people should also be supported with various services. These services are provided by the state and local authorities. The National Audit Office found in the course of the audit that the state has no overview of the services offered to disabled people and how they are financed. Equal access to these services is not guaranteed because of the different capacities of local authorities and the uneven distribution of disabled people in different areas. People are provided with services if the local government is competent to provide them and it has the money required to provide the service. The National Audit Office has criticized the provision of services financed from the state budget (welfare services to people with special mental needs and rehabilitation services) to disabled people before.

The state does not promote the return of people who have lost their capacity for work to the labour market. The number of persons receiving pension for incapacity for work has increased over the years. The capacity of a person to do the job they did before is assessed when permanent incapacity for work is determined. The state does not consider whether or not the person would be able to earn a living in another profession. Results of expert analyses of permanent incapacity for work showed that the number of persons who did not have the extent of their permanent incapacity for work determined in the course of repeated analyses is very small. 60% of all persons receiving pension for incapacity for work did not earn any other income at the same time – the state was basically supporting them. Only 35% of all persons receiving pension for incapacity for work who had lost part of their capacity for work (40-90%) were earning wages.

The National Audit Office finds that before determining the loss of capacity for work, the state should try to restore a person’s capacity for work through an extensive rehabilitation programme and it this proves to be impossible, to support the person in acquiring a new profession. Unfortunately there are no such programmes in Estonia.

The income earned by a person at the same time is not considered when pension for incapacity for work is paid. The National Audit Office applauds the fact that 41% of persons receiving pension for incapacity for work were earning income at the time when they were receiving the pension. Earning income is natural in the event of partial loss of the capacity for work, because the pension for incapacity for work should compensate the person for the income they do not earn as a result of the loss of capacity for work. 5% of people who had fully lost their capacity for work had earned income at the same time. Even though the income earned by the majority of persons receiving pension for incapacity for work who were also earning income was small, usually around a couple of thousands of kroons, the earnings of 10% of such people increased the average in Estonia.

Recommendations of the National Audit Office to the Minister of Social Affairs:

■ As disabled people do spend more on medicines and technical aids, we advise changing the system for compensation of medicines and technical aids in such a manner that the state would allow disabled people to buy the medicines and technical aids they need at higher discount rates. As the analysis conducted by the National Audit Office only concerned supporting working-age disabled people and two main types of additional expenses, then the need to support other age groups and compensate for other additional expenses should also be analysed. One option would be to guarantee working-age disabled people with access to support through local authorities (see also recommendation in art. 44). Stopping payment of monthly monetary support to disabled people should be considered at the same time.

- The Ministry should prepare a draft that would determine the services local authorities should offer disabled people and how these services should be funded, and to guarantee an overview of the services and the money spent on them and supervision of the activities of local authorities. Preparation of the draft should also include calculations of how much provision of services to such an extent would cost and allocation of money to local authorities for this purpose.

- The system for assessment of permanent incapacity for work should be changed in such a manner that the person's capacity for work rather than the loss thereof is assessed first and foremost. A person should be declared incapacitated for work only if it is obvious that they are unable to work and earn a living.

- Without abandoning the principle that as many persons receiving pension for incapacity for work as possible could be working, we believe that payment of the pension for incapacity for work should be tied to the income earned by the person at the same time. A law amendment should be initiated, which will establish the maximum income a person can earn before they lose their right to pension for incapacity for work. The state should also create a work-related rehabilitation programme, which would give people the opportunity to retrain and create the preconditions for their return to the labour market.

Responses of auditees:

The National Audit Office submitted the audit report to five ministers for their opinions. In their responses, the auditees gave additional explanations about the text of the audit report. The National Audit Office stands by its initial opinions and recommendations.

The **Minister of Social Affairs** mainly explained the circumstances mentioned in the audit report, but did not submit an analysis or action plan regarding the performance of all of the recommendations. He thought that the different problems in the area and possible solutions needed to be analysed again before any changes are made (e.g. the need for additional discounts on medicines, tying the pension for incapacity for work with income earned at the same time, or assigning tasks to local authorities).

The National Audit Office is pleased that the Minister also thinks that additional analyses need to be conducted in this area.

The **Minister of Social Affairs** also said that there are plans to review the process of ascertaining permanent incapacity for work in the next few years and, if possible, changed will be made that result in assessment of capacity for work instead of incapacity for work.

The **Minister of Finance, Minister of Social Affairs as the acting Minister of Justice** and **Minister of Regional Affairs** said in their responses that they are prepared to support the Ministry of Social Affairs as the leading ministry in the area in its activities when distributing the tasks of the state and local authorities.

Both the **Minister of Finance** and the **Minister of Social Affairs** admitted the problems in stipulating occupational accident and health insurance, but still deemed the insurance important.

The **Minister of Education and Research** found that he is prepared to consider the introduction of the measures required to improve the work-related rehabilitation of persons who have lost their capacity for work in cooperation with the Ministry of Social Affairs. However, the Minister added that a thorough analysis is needed to ascertain whether this requires a separate programme or whether the situation can be improved with the help of existing measures and programmes.

The **Minister of Social Affairs** found that the labour market services offered by the Unemployment Insurance Fund guarantee support also to persons receiving pension for incapacity for work.