



Invalidity insurance

Evaluation of subsidy implementation to permanent occupational workshops

Basic facts

Occupational workshops provide handicapped people with the opportunity of carrying out practical activities and at the same time benefiting from an income.

In subsidising these workshops, the Confederation is seeking to reinforce disabled peoples' integration into society and to reintegrate them into working life following the principle "reintegration rather than disability pension". Assistance from the Confederation comes in the form of investment subsidies (construction, expansion and renovation of the workshops) and operative subsidies to cover additional operating costs arising from employing handicapped people. The total amount of operative subsidies that the Federal Social insurance Office (FSIO) allocated in 1999 to 298 workshops amounted to CHF 317 million.

During 2001, the Swiss Federal Audit Office (SFAO) analysed the efficiency and the effectiveness of these subsidies. The analyses did not highlight any fundamental mistakes in the implementation of these subsidies. Nonetheless, they did enable certain weaknesses and room for improvement to be pinpointed which are outlined below.

1. Do the results correspond to the objectives of the law ?

The main subsidy objectives are as follows: to promote the participation of disabled people in practical activities and at the same time to provide them with a salary, to provide the workshops with financial support covering the costs involved in employing disabled people and preventing distortions in competition between the workshops and firms employing only able-bodied people. An indirect goal consists of encouraging the integration of disabled people, in keeping with the central

philosophy of the Federal Disability Insurance Act, which strives for professional integration in preference to granting an invalidity insurance.

The analyses indicate that subsidies to the workshops from the FSIO have certain undesirable effects relating to these activities.

- The subsidy system encourages workshops to exert pressure in order to reduce the salaries of the disabled people. Indeed, the subsidy allocated to the workshops is based mainly on a theoretical calculation of the costs arising from employing disabled people. The salary of the disabled people is used as an indicator of the costs involved. It has an effect on the subsidy granted; the lower the salary of the disabled person, i.e. the more the capacity of this person to work is reduced due to his or her level of invalidity, the higher the costs involved are for the workshop, as a result the subsidy calculated will be correspondingly higher.
- There is little incentive for the workshops to reintegrate people in the job market. On the one hand, reintegration efforts are paid for within the scope of workshop financing and on the other, the disabled people most likely to be reintegrated are typically those who are the most productive ones in the workshop, i.e. those who the workshop, in its own best interest, should retain. In the pilot project, the FSIO, however, introduced a reintegration allowance on top of the subsidy granted to the workshops.

2. How efficient are the subsidies?

In terms of efficiency, i.e. the relation between the subsidy paid and the services provided by the workshops, the following deficiencies should be mentioned:

- Supervision of the disabled represents the major subsidy paid by the FSIO. At the moment the FSIO does not have data enabling the optimal level of supervision to be determined in the different workshop categories as well as the type of invalidity. Some results even seem to be counter-intuitive, as for example the high degree of supervision in certain workshops employing comparatively more productive or even very productive disabled people without it being possible to determine whether or not it is a question of inefficiency (costly in subsidy terms) of the workshops concerned. In addition the financing system does not sufficiently encourage the workshops to achieve a break-even point, and the small workshops are granted subsidies, which, per disabled person, are comparatively high.
- At the moment the FSIO is carrying out a financing project with pilot workshops. In the services agreement, the subsidy is established on the basis

of fixed amounts. These fixed amounts are calculated individually for the workshops on the basis of their performance in the past. This system runs the risk of rewarding past inefficiencies; the workshops which were more costly in the past due to operating problems, presently receive a higher subsidy than the efficient workshops, all other things being equal.

It should be noted that the differences in efficiency are only one element in the differences between the subsidy amounts granted to the workshops. The degree of invalidity and the invalidity profile of the disabled people employed and the type of work carried out by the workshop play a central role. Comparing the performance of the workshops (benchmarking) must take these factors into account.

3. Are the workshops encouraged to improve results and services provided?

Possible improvements were also pinpointed in the following sectors:

- **Planning workshop jobs:** this is the responsibility of the cantons under the guidance of the FSIO. Analysis has shown that the cantons do not necessarily have sufficient information and incentives at their disposal to adequately make plans for the number of workshop jobs for disabled people. In addition, the quality of the workshop services is not sufficiently taken into consideration during planning.
- **Quality management:** the FSIO mainly utilises formal criteria in quality assessment. Quality content is only subject to FSIO evaluation if desired.

SFAO recommendations

The recommendations are made in a context of uncertainty as far as the possible “cantonalisation” of subsidies to permanent occupational workshops within the scope of the new financial adjustment is concerned. Below are the main recommendations to the FSIO:

- Taking measures in order to redress the incentives of the workshops to exert pressure on the salaries of disabled people. The possibility of linking financing workshops to the supervisory needs of the disabled people instead of to the salary earned by the disabled should be examined.
- Taking measures to improve financing efficiency of the workshops, e.g. by establishing a break-even point for the workshops and a benchmarking system between workshops to identify the more efficient ones.
- Reinforcing the role of the FSIO in planning requirements concerning workshop jobs.

- Better taking into account the quality of services when assigning (new) subsidised jobs to the workshops.
- Research into solutions to more systematically assess the quality of workshop services.

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