

Executive summary

Throughout the OECD, mental ill-health is increasingly recognised as a major problem for social and labour market policy; a problem creating significant costs for people, employers and the economy at large by lowering employment and generating substantial productivity losses. In an international comparison, the United Kingdom is among the most advanced countries in terms of awareness about the costs of mental illness for society as a whole, as well as the benefits employment brings for a person's mental health. Integration of employment and health services is also being developed gradually – the most controversial policy challenge in this field facing OECD countries. Recent reforms of the disability benefit system including tighter benefit eligibility and large-scale reassessments are moves in the right direction but more can be done; i) in terms of earlier identification of work barriers and early intervention; ii) in meeting the needs of claimants moving from disability to unemployment benefits as a result of the reassessment process; and iii) in the attempts to raise the take-up of employment supports to increase participation of disability claimants in the labour market. Addressing these challenges will be difficult given the tight fiscal constraints facing the United Kingdom, but poorly designed spending cuts can worsen the medium and long-term fiscal and social costs. Further improvements are needed to ensure that on-going reforms live up to their promise. Currently, incentives for improving outcomes are still weak for several important players, including employers, employment service providers and the health sector.

The OECD recommends that policy makers in the United Kingdom:

- Assure that reforms underway to improve intervention in the early phase of a sickness spell, in order to avoid the transition from sickness into disability benefit (Employment and Support Allowance), are implemented effectively.
- Increase the attention to mental health and its impact on employability and work capacity in all parts of the welfare system, including Employment Support Allowance, Jobseeker's Allowance and the new Universal Credit.

- Further refine the outcome payments for employment service providers to promote better employment outcomes for the most disadvantaged customers.
- Invest in active labour market programmes more generally to be able to provide adequate support for clients with mental health problems.
- Build on recently improved integration of health and employment services to make sure that successful pilot approaches are widely available.
- Further expand access to psychological therapies for those with a common mental disorder and boost mental-health knowledge of general practitioners who play a key role in the UK health and benefit system.