

DRC

Annual Research Meeting

PROJECT ABSTRACTS:

FOREIGN EXPERIENCE AND LESSONS LEARNED ABROAD FOR U.S. DISABILITY POLICY

International Efforts to Serve Youth and Young Adults with Disabilities

Lorenzo Moreno and Todd Honeycutt, Mathematica

This project summarizes policies and programs of 10 countries in the Organisation for Economic Co-operation and Development, as well as the United States, that aim to improve the transition of youth with disabilities to appropriate and gainful employment. The authors conducted a literature review for the 10 countries, along with a more detailed case study of the programs in two countries, Germany and the Netherlands. They found that the countries supported a wide range of efforts to promote employment, provide services specifically for youth, promote access to adult services, and coordinate the transition from youth to adult services. Several programs offer promising ideas for implementation or testing by the United States. The ideas may not be directly transferable, but if they are proven to be effective, they could give new impetus to reforming U.S. programs to achieve more efficient, evidence-based transition options for this population.

How Financial Incentives Induce Disability Insurance Recipients to Return to Work

Magne Mogstad, University College, London

Andreas Kostol, Statistics Norway

Disability Insurance (DI) programs have long been criticized by economists for their work disincentives. Some countries have recently modified their programs so that DI recipients are allowed to keep some of their benefits if they return to work, and other countries are considering similar return-to-work policies. One example is the proposed change in the DI program in the U.S., known as the “\$1 for \$2 offset.” Under this policy, a DI recipient’s benefits would be reduced by \$1 for every \$2 of the person’s earnings above the substantial gainful activity threshold. However, the evidence base for such return-to-work policies for DI recipients is scarce. Using a local randomized experiment that arises from a sharp discontinuity in DI policy in Norway, this project provides transparent and credible identification on how financial incentives induce DI recipients to return to work. The results will help increase understanding of whether many individuals who are deemed totally and permanently disabled indeed have the capacity to work, and how elastic their labor supply is to changes in financial incentives.

The Efficiency of Disability Insurance in Europe and the U.S.

Enrica Croda, Università Ca’Foscari Venezia

Jonathan Skinner, Dartmouth College and NBER

Laura Yasaitis, Harvard Center for Population and Development Studies

There are large variations across countries in the fraction of the workforce receiving DI payments, ranging in 2008 from 3.8 percent in Spain to 10.2 percent in Sweden. Previous research has stressed the importance of institutional features of DI programs in explaining overall enrollment, but much less is known about the efficiency of such programs in avoiding Type 1 error (providing benefits to healthy recipients) or Type 2 error (denying benefits to unhealthy applicants). In this paper, we draw on the Survey of Health, Ageing, and Retirement in Europe and the Health and Retirement Study in the United States for micro-level data on people between the ages of 50 and 64 during 2004, 2006, and 2010 to address this question. Using a comprehensive health status index measure, we find large differences in the efficiency of DI systems across countries, with Switzerland, Italy, Denmark, and the U.S. ranking above, and Sweden and the Netherlands ranking below, the median European country.

Note: Individual research projects are at varying stages of completion; not all findings are final.