Effects of Disability Insurance Receipt: Beyond the Labor Supply of Recipients

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There is accumulating credible evidence on employment and earnings effects of US disability insurance (DI) (Maestas et al. 2013; French and Song 2014; Moore 2015; Deshpande 2016; Gelber et al. 2017). But the effects of the SSDI and SSI programs potentially extend beyond impacts on the labor supply of recipients. There may be consequences for health, medical expenses and health insurance claims, as well as substitution of income from other transfer programs and spillovers to the work activity of spouses. Unfortunately, extending the scope of analysis to such outcomes is constrained by limited linkage of US administrative registers.

This project addresses SSA Focal Area #1 by using the comprehensive linkage of all administrative registers in the Netherlands to estimate effects of the Dutch DI program on outcomes – hospital admissions, medical expenses, other transfer income and spouses' earnings – other than the labor supply of recipients.

The Dutch DI program is particularly interesting from a US perspective because of the option of partial disability that permits earning well above the SSDI Substantial Gainful Activity limit. This potentially enables individuals with low earnings capacity to remain attached to the labor market (Autor 2015). But it may also increase moral hazard, and it may be used, in effect, as a subsidy for low-wage jobs.

We will identify the effects of DI by using assessor leniency as an instrument (Maestas et al. 2013; French and Song 2014) – taking account, if needed, of systematic variation in leniency by type of applicant – and by exploiting discontinuities in DI entitlement at threshold degrees of disability.

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