Proposal

The goal of this project is to revisit the employment effects of the Americans with Disabilities Act (ADA) of 1990. The ADA was designed to grant disabled individuals civil rights protection against discrimination in all areas of public life as well as to require firms to provide reasonable accommodation to promote the employment of disabled individuals able to work. From the start, however, the accommodation requirements of the policy proved controversial, since they indeed benefited disabled workers and the public at large through the infrastructure and services provided, but also imposed costs on firms. A large literature has assessed the impact of the ADA on the employment of workers with disabilities (see e.g., the work of Acemoglu and Angrist and De Leire). The consensus so far seems to be that the ADA has had a negative effect on the employment of disabled workers. This outcome is commonly ascribed to the unintended consequences of the policy on firms' employment decisions. That is, the implied costs on firms of litigation for wrongful termination and the burden of accommodation have ended up discouraging firms from employing workers with disabilities. Differently from the existing literature, which has focused on individuals who face limitations related only to their ability to work (market production) - or *work limitations* – and on the short-term effects of ADA, our goal is to assess the impact of the ADA on a sample of individuals that report disabilities that are both work- and non-work related and for a much longer period of time following the passage of the ADA. This goal is made possible by the use of detailed health data available from the Survey of Income and Program Participation (SIPP) for roughly 25 post-ADA years. In particular, SIPP allows us to distinguish between individuals with work-related limitations and individuals with *other types of limitations*, namely limitations to working at home (home production) and to performing activities of daily living (physical, sensory or mental in nature). Our preliminary findings suggest that the policy has had a negative effect on the employment of individuals with work-related limitations, thus confirming and extending the existing evidence to a more recent time period. However, we also find that the policy has had substantial and significant *positive* effects on the employment of individuals with non-work limitations, even when severe.

An important question is: how can imposing costs on firms, as the literature suggests, increase employment? Intuitively, the costs of employment termination and accommodation introduced by the ADA are investment-type of costs that have two countervailing effects: firms are less likely to hire, but - conditional on hiring - less likely to fire disabled workers. Hence, both the job creation rate and the job destruction rate have decreased for disabled workers. Whenever accommodations are successful at improving disabled workers' productivity, the job destruction rate decreases more than the job creation rate does and hence employment overall increases. For the years we have analyzed so far, this mechanism seems to be at play: non-work disabled individuals who have benefited from the policy tend to have higher and more general human capital and to be employed in low-contact human-capital intensive occupations for which the required accommodation is less extensive, cheaper, and most likely to be effective, at jobs whose duration has indeed *increased* in the post-ADA era. Our plan is to first document the effects of the ADA on different groups of disabled workers distinguished by their type of disability, health conditions, and demographic, socio-economic, and geographic characteristics in an attempt to identify the factors that most contributed to or hindered the success of the policy for each group. We plan to use survey data on firms' accommodation costs from the Job Accommodation Network (JAN) of the U.S. Labor Department and complement them with the Occupational Requirements Survey (ORS) of the BLS to evaluate disabled individuals' residual ability to work and employment prospects, as consistent with the research themes of Focal Areas 2 and 3. Second, using these data, we plan to estimate the impact of the policy and possible alternative designs of it, for instance, coupling the ADA with a more targeted EITC or unemployment insurance schemes, within an equilibrium model of the labor market with heterogeneous

workers by gender, race, health, skills, and productivity. The goal of this exercise is to measure the effects of the policy on the employment of disabled and non-disabled workers in order to identify the groups of disabled workers who have benefited most from the policy, the mechanisms that have made the policy successful, and so address the key questions of Focal Area 7 on the disparities in achievement of disabled workers with different ethnic and racial backgrounds. As such, we see our project as a natural fit for Focal Area 2 of "Work in the Modern Economy," Focal Area 3: "Disabled Beneficiaries and Return-to-Work," and Focal Area 7: "Disparities by Race and Ethnicity."