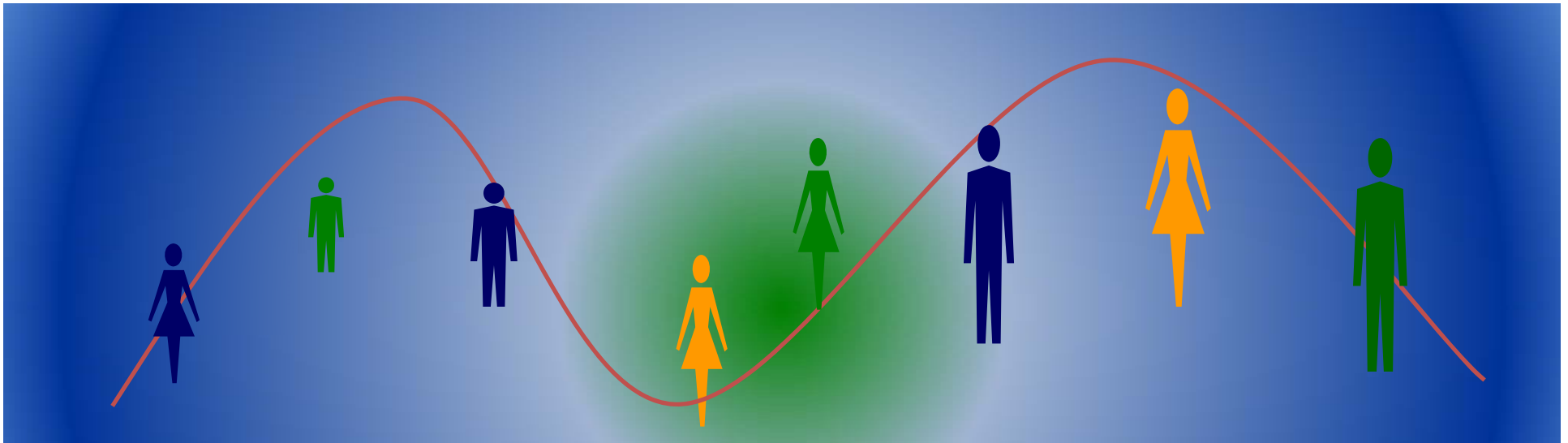


# Session V. Disability Programs Lessons for Policy

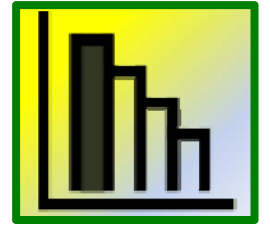


OECD/UMD Labour Market Conference  
Paris: November 14-15, 2011

Mary C. Daly  
Economic Research Department  
Federal Reserve Bank of San Francisco

# KEY MESSAGES FROM THE SESSION

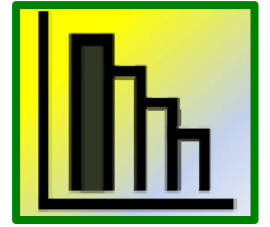
---



- Disability insurance reforms are necessary
- Policy reforms in several countries have resulted in higher employment/lower benefit receipt among those with disabilities
- But challenges remain: key one is what to do with the less employable or “unemployable”
- Lessons for U.S. policy: integrated labour market programmes are essential to good outcomes

# PAPER 1: POLICY MATTERS

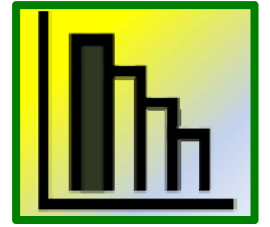
---



- Disability beneficiary rates are rising rapidly
- Not explained by demography, health, poor economy
- If policy caused the rise, policy can provide a solution
  - Indeed, structural reforms in some countries show this
- Some ideas for better policy:
  - Improved financial incentives
  - Stronger responsibilities among agents
  - Better assessment: focus on work capacity, not incapacity

# PAPER 1: QUESTIONS AND LESSONS

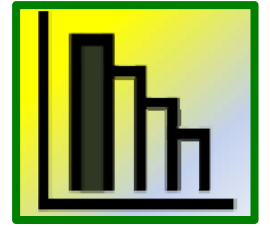
---



- **Question:** What do we do with the accumulated stock of disability beneficiaries?
- **Question:** What do we do about the “unemployable” once they cannot move onto disability benefits?
- **Lesson:** Most (all) OECD countries face similar challenges when it comes to disability programs
  - This is good news in terms of developing “best practices” for effective policy tools
- **Lesson:** It is very difficult to think about disability policy without thinking about low employability

## PAPER 2: INCENTIVES MATTER

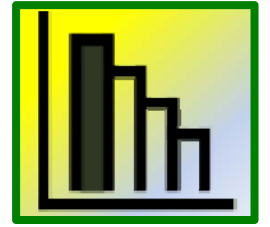
---



- Returns to work are significantly higher when employers have a financial stake in that outcome
- “Safety-netters” or those uncovered by such employers return to work far less
- Early start matters for success; waiting decreases the likelihood of return to work
- Even with incentives and help health prevents some workers from returning to full employment

## PAPER 2: QUESTIONS AND LESSONS

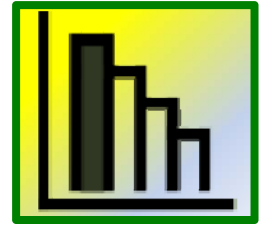
---



- **Question:** What do we know about the economic well-being of those who return to work full- or part-time versus those who go onto benefits?
- **Question:** What have the reforms done to the costs of providing disability insurance?
- **Lesson:** Incentives work, but should be applied to all actors including local, state, federal authorities
- **Lesson:** Disability insurance reforms should be extended to those outside of the labour market

## PAPER 3: HETEROGENEITY MATTERS

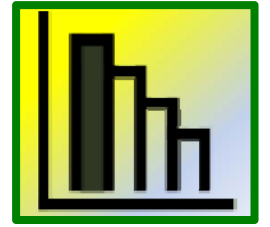
---



- Policies focused on preventing movement onto the disability rolls improve outcomes (*flow*)
- It is far more challenging to move existing beneficiaries off the rolls and back into work (*stock*)
- Young people with disabilities (16-29) present their own challenge, may need different interventions
- Swedish reforms were successful for some and less successful for others—haste to enact may have accentuated the normal policy challenges

## PAPER 3: QUESTIONS AND LESSONS

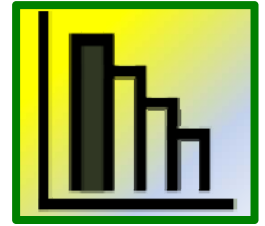
---



- **Question:** What prompted the attempts to reduce the disability rolls: costs, productivity loss, other?
- **Question:** Was there experimentation on policy changes before implementation?
- **Lesson:** Curbing growth in disability rolls and reducing the stock of current beneficiaries takes different policies
- **Lesson:** Theory and research can guide policy but field experimentation is crucial to implementation



# U.S. NEEDS FUNDAMENTAL REFORM



**Table I-1. Employment and SSDI/SSI Receipt among Population Reporting Work Limitation**

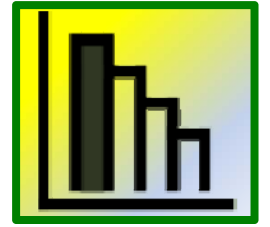
<b>Year</b>	<b>Work Limitation Prevalence</b>	<b>Employed more than 200 Hours Last Year</b>	<b>SSDI/SSI Receipt</b>
<b>1981</b>	<b>7.3%</b>	<b>35.2%</b>	<b>32.6%</b>
<b>2010</b>	<b>7.8%</b>	<b>22.6%</b>	<b>51.4%</b>

**Note: Sample limited to civilian noninstitutional population age 25–59.**

**Source: Burkhauser and Daly 2011: The Declining Work and Welfare of People with Disabilities.**

# LESSONS FOR U.S. POLICY

---



- Reforms can work
- Reducing future growth in the rolls is easier than reducing the stock of beneficiaries
- Reforms must be targeted to fit the heterogeneity of the population with disabilities
- Practice and experimentation improve outcomes
- Ideally disability policy must be part of a complex of labour market policies; not made in a vacuum