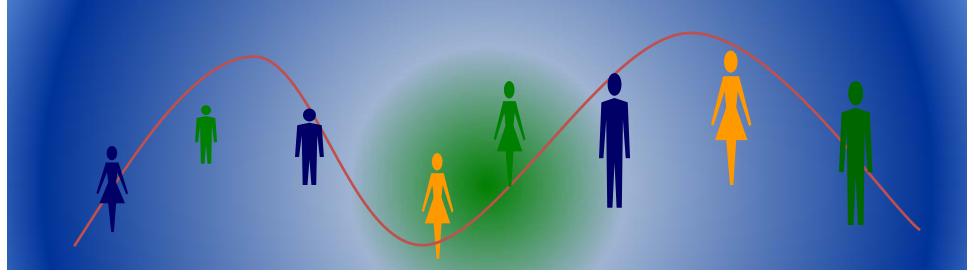


Session V. Disability Programs Lessons for Policy



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The findings and conclusions expressed are solely those of the author and do not represent the views of the Federal Reserve Bank of San Francisco or the Federal Reserve System.

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 parttime 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

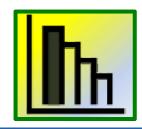
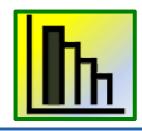


Table I-1.	Employment and SSDI/SSI Rece	eipt among Population Reporting Work Limi	tation
Year	Work Limitation Prevalence	Employed more than 200 Hours Last Year	SSDI/SSI Receipt
1981	7.3%	35.2%	32.6%
2010	7.8%	22.6%	51.4%
Noto: Sar	nple limited to civilian noninsti	itutional population ago 25, 50	

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