



# THE EFFECT OF PUBLIC POLICIES ON WORK DISABILITY: A LIFECOURSE PERSPECTIVE

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This study investigates the impact of three social policies – Medicaid, Food Stamps, and the Earned Income Tax Credit (EITC) – throughout the lifecourse on experiencing work disability in later life. Work disability is richly characterized by self-reports of duration and severity and probable Disability Insurance (DI) receipt. Results demonstrate that the EITC during adulthood can significantly reduce the probability of acquiring a self-reported work disability and receiving DI later in life.

## **Access to social policies throughout the lifecourse can reduce work disability later in life**

A rich body of literature demonstrates that social policies alter individual health, resources, and work or labor market participation (Jones 2020; Hoynes, Schanzenbach, and Almond 2016; Goodman-Bacon 2021; Boudreaux, Golberstein, and McAlpine 2016; Miller and Wherry 2019; Bastian and Michelmore 2018; Braga, Blavin, and Gangopadhyaya 2020; Hoynes and Patel 2018). These three elements (i.e., health, resources, and work) are embedded within the concept of work disability – a health condition that limits the type or amount of work an individual can perform. Since social policies can meaningfully impact the elements comprising work disability, we reason that work disability itself could be altered by social policy, although this link is rarely investigated in the literature. When it is, work disability is often narrowly defined as a binary experience, in opposition to a more accurate reflection encompassing heterogeneity in duration and severity. We richly characterize work disability along these dimensions and hypothesize that an expanding social safety-net, broadly defined, should ultimately decrease the prevalence of work disability, and by extension, the number of DI applications and awards.

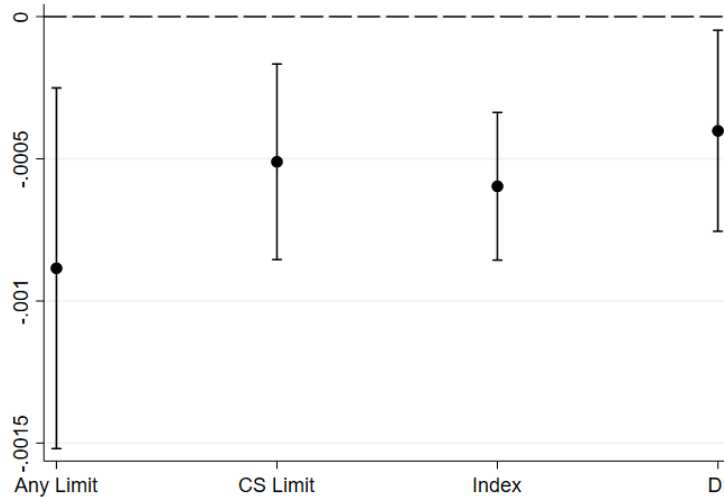
Using a generalized difference-in-differences method and relying on exogenous exposure to social policies, we find that the EITC during adulthood can substantially and statistically significantly decrease the probability of work disability later in life. Results on the effects of Medicaid and Food Stamps are less conclusive, suffering from imprecision and inconsistencies, but offer suggestive evidence supporting our hypothesis.

## **The EITC meaningfully decreases the likelihood of work disability**

Regardless of the definition of work disability, exposure to the EITC meaningfully decreases the probability of work disability. For example, \$100,000 of cumulative EITC exposure from birth up to age 50 would translate into an 8.85 percentage point drop in the likelihood of experiencing any work disability between the ages of 50 and 59, a 5.11 percentage point drop in experiencing a chronic and severe work disability



**Figure:** Effects of \$1000 of EITC exposure on Work Disability



**Source:** Authors' calculations using PSID public data.

**Notes:** "Any Limit" is a binary dependent variable for any reported work limitation between ages 50 and 59. "CS Limit" is a binary characteristic for reported chronic and severe work limitations between ages 50 and 59. "Index" is the continuous work limitation index. "DI" is a binary variable for whether the individual likely had DI before age 65. All results are from a OLS regression model.

during that interval, and a 4.02 percentage point drop in the likelihood of using DI before age 65. Utilizing a continuous measure of work disability, \$100,000 of EITC exposure translates to approximately one less wave of a reported mild limitation between ages 50 – 59.

### Food Stamps and Medicaid are linked with reductions in work disability

Individuals with any reported work limitation between ages 50 and 59 have significantly less exposure to Medicaid and Food Stamps from birth up to age 50. On average, individuals without a reported work limitation were exposed to

Medicaid for 73.2% of early and mid-life and Food Stamps for 70% of that interval. By contrast, individuals reporting any work limitation between ages 50 and 59 were only exposed to Medicaid 66.4% of the time and Food Stamps just 64% of the time – both differences are statistically significant at any conventional level. However, we do not detect causal impacts of these policies on the likelihood of experiencing work disability later in life.

### Implications

- Access to the social safety-net beyond childhood may have meaningful implications for reducing the prevalence of work disability and necessity of DI later in life.
- Social programs may function not only as safety nets, but also as preventative measures to maintain the health and labor force participation of the population.

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