

## **The Long-Term Effects of Workplace Injury on Labor Market Outcomes: Evidence from California**

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### **Key Findings and Policy Implications**

This paper examines the long-term impacts of workplace injury on earnings, employment, and labor force exit due to disability or retirement. It focuses on California workers injured in 2005 who file workers' compensation claims, and it analyzes their earnings records over the period from 2003 to 2019. The paper finds that:

- Controlling for worker characteristics, earnings losses averaged \$920 per quarter over 14 years post-injury. This aggregates to total earnings losses of \$51,000 without discounting.
- The earnings losses diminish over time from 19.6% of estimated earnings (absent the injury) over years 1-4 post-injury to 10.9% over years 10-14 post-injury. However, the 10.9% earnings reduction more than 10 years after injury suggests that the impacts of injury on labor market outcomes are highly persistent.
- We find no evidence of increased labor force exit for injured workers at the Early or Normal Retirement Age, but we do find suggestive evidence that more favorable disability evaluation rules for workers aged 55 and over are associated with increased labor force exit among injured workers.

The findings raise interesting questions about the design of workers' compensation systems and the availability of other sources of income replacement for workers who experience long-term earnings losses. It appears, for example, that the statutory duration of California's permanent disability benefits (for workers who do not accept a lump-sum settlement) is far shorter than the duration of losses estimated in the study.

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