

## Early Determinants of Work Disability in an International Perspective

AXEL BOERSCH-SUPAN, TABEA BUCHER-KOENEN AND FELIZIA HANEMANN

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

This paper compares the interrelated roles of health and disability insurance provisions on disability program enrollment across countries. It uses cross-nationally comparable data on health from the Survey of Health and Retirement in Europe (SHARE), the English Longitudinal Survey on Aging (ELSA) and the Health and Retirement Survey (HRS), including retrospective life history data from these surveys. The paper finds that:

- Health problems experienced over the life course, even as early as during childhood, are important drivers of later life working capacity and the need for disability insurance. Reported work disability varies considerably across countries, from around 11% in Italy to around 40% in Estonia.
- Disability program enrollment also varies considerably across countries, from 3-4% in Italy, France and Switzerland up to 20% in Sweden and the Czech Republic.
- While health measures explain a substantial share of the within-country variation in disability insurance participation, it does not explain the variation in DI participation across countries.
- Most of the variation in DI participation rates across countries is explained by differences in their disability insurance policies. Policy differences are assessed using a series of OECD metrics that describe coverage (ranging from the total population to employees only); minimum disability level (lower bound ranging from 0% to 86%); income replacement rates (ranging from  $RR < 50\%$  to  $RR \geq 75\%$ ); medical assessment (ranging from treating doctor only to teams of insurance doctors); and vocational assessment (ranging from strict own-occupation assessment to all jobs available).
- Many countries have recently reduced the generosity of DI, most notably in the Netherlands, which used to have the most generous DI system in Europe. But even when adjusting for differences in DI program generosity across countries, there is still a strong reaction of DI enrollment to the incentives in DI program rules.

These cross-national findings are important for policy in highlighting the degree to which disability insurance policy provisions can influence program participation rates in the populations they cover.

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AXEL BOERSCH-SUPAN is the Director of the Munich Center for the Economics of Aging at the Max Planck Institute for Social Law and Social Policy and an NBER Research Associate.

TABEAU BUCHER-KOENEN is a Senior Researcher at the Munich Center for the Economics of Aging

FELIZIA HANEMANN is Senior Researcher at the Munich Center for the Economics of Aging

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