

## **To Work for Yourself, for Others, or Not at all? How Disability Benefits Affect the Employment Decisions of Older Veterans**

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

This paper examines how the receipt of benefits from the Veterans Affairs Disability Compensation Program (DC) affects the employment decisions of older veterans. The analysis make use of a 2001 policy change (the Agent Orange decision) that increased access to DC benefits for Vietnam veterans who served with “boots on the ground” (BOG) in the Vietnam theater but not for other veterans of the same era. The study uses data from the Veterans Supplement to the Current Population Survey (CPS), allowing us to follow affected veterans through their sixties and beyond. The paper finds that:

- In the decade or so following the 2001 policy change (our data follows veterans through 2015), DC receipt rose by 10.3 percentage points more for BOG than for non-BOG veterans in the sample. This confirms that the policy change dramatically increased access to DC benefits for BOG veterans.
- Labor force participation falls by 2.5 percentage points more for BOG veterans than for non-BOG veterans over this period, consistent with the hypothesis that DC benefit receipt reduces employment. There are also larger decreases in hours and earnings for BOG veterans, relative to non-BOG veterans.
- Importantly, we find that there is an even larger shift in type of employment, with the probability of self-employment actually rising by 4.1 percentage points and the probability of working for others falling by 6.5 percentage points for BOG relative to non-BOG veterans over this period.
- Overall, we estimate that one in four veterans who entered the DC program due to the 2001 Agent Orange decision left the labor force; estimates that are in the same range as those from recent studies of the Social Security Disability Insurance (SSDI) program.

The policy implications of the study are important, because they highlight the very significant effect of benefit eligibility on labor market behavior, even for programs like DC that allow both benefit payments and employment income.

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