

Does Disability Insurance Improve Health and Well-being?

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Key Findings and Policy Implications

This paper analyzes the effects of disability insurance benefit receipt on health outcomes, by tracking people's health circumstances before and after the take-up of DI benefits. This paper takes advantage of internationally harmonized panel data and the differences across DI programs in Europe and the United States, as well as their changes over time. The data are from the Survey of Health, Assets and Retirement in Europe (SHARE), the U.S. Health and Retirement Study (HRS) and the English Longitudinal Survey of Ageing (ESLA). The paper finds that:

- When comparing people who report a work disability, but do not receive DI benefits, with those that do receive DI benefits, self-reported health stabilizes for both groups following their initial report of a work disability (or DI enrollment). We interpret this as the relief effect from stopping work for both groups.
- The number of functional limitations, as measured by limitations in activities of daily living (ADL/IADL), stabilizes more for those who receive DI benefits, than for those who do not. Mental health also improves more for DI benefit recipients than non-recipients relative to the beginning of DI benefit receipt.
- Using OECD benefit generosity indicators, we find that the health stabilizing effects of DI participation, measured through both self-reported health and ADL/IADL limitations are more distinct in countries with more generous DI benefits than in countries with less generous systems.

These results suggest that DI programs may be effective not just in providing greater income security to people who develop functional limitations, but also in stabilizing their health declines relative to those who do not receive DI benefits.

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