

Disability Risk in Alternative Work Arrangements

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Key Findings and Policy Implications

This paper examines the effect of workplace injury on employment up to two-years later, comparing temporary and contract workers with comparable direct-hire workers. It uses data on workers' compensation claims from the California Department of Industrial Relations from 2005 to 2012, linked to earnings data from California's unemployment insurance program. The paper finds that:

- Temporary workers experience greater reductions in employment after a workplace injury, compared with observably similar direct hire employees. The post-injury employment rate of temporary workers is 7.5 percentage points lower than comparable direct-hire workers immediately after the injury; and remains 2.9 percentage points lower two years after the injury. This equates to a 26 percent greater loss in employment for temporary workers than for direct-hire workers.
- Because the presence of a disabling health condition and the inability to engage in Substantial Gainful Activity (i.e., to work) are necessary conditions for entry onto DI, temporary work may increase workers' risk of transitioning from employment to SSDI through two distinct channels: higher injury rates, and larger reductions in employment conditional on injury.

Alternative work arrangements, such as independent contracting and employment through temporary help agencies, have become increasingly common in recent years, raising the policy relevance of the study's findings. Both the pathways to DI enrollment for individual workers, and the total number of beneficiaries in the overall program, are influenced by the changing characteristics of the labor market.

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