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FINANCIAL WORK INCENTIVES FOR DISABILITY BENEFIT RECIPIENTS: LESSONS FROM A RANDOMISED FIELD EXPERIMENT

ABSTRACT

Disability insurance (DI) beneficiaries lose part or all of their benefits if earnings exceed certain thresholds ("cash-cliffs"). This implicit taxation is considered the prime reason for the low number of beneficiaries who expand work and reduce benefit receipt. We analyse a conditional cash programme that incentivises work related reductions of disability benefits in Switzerland. Four thousand DI beneficiaries received an offer to claim up to CHF 72,000 (USD 77,000) if they expand work and reduce benefits. Initial reactions to the programme announcement, measured by call-back rates, are modest. By the end of the field phase, the take-up rate is only 0.5%.

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