

# THE IMPACT OF STRICTER CRITERIA FOR DISABILITY INSURANCE ON LABOR FORCE PARTICIPATION

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## ABSTRACT

This paper studies the effect of a large-scale policy change in the Austrian disability insurance program, which tightened eligibility criteria for men above a certain age. Using administrative data on the universe of Austrian private-sector employees, the results of difference-in-difference regressions suggest a substantial and statistically significant decline in disability enrollment of 6 to 7.4 percentage points and an increase in employment of 1.6 to 3.4 percentage points. The policy change had important spillover effects into the unemployment and sickness insurance program. Specifically, the share of individuals receiving unemployment benefits increased by 3.5 to 3.9 percentage points, and the share receiving sickness insurance benefits, by roughly 0.7 percentage points. (C) 2011 Elsevier B.V. All rights reserved.

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