

How does sudden disability affect personal income? An empirical study among older European workers

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Background: the onset of disability can generate two opposite mechanisms on the personal income. On the one hand, disability can affect work ability, and, *a fortiori*, the individual productivity level which results in a decrease in wages, thus in personal income. On the other hand, the eligibility to compensation systems like disability insurance, can increase the personal income.

Aim: this paper is studying the impact of the onset of disability on personal income among European workers. The aim is to see whether a shock of disability leads to an increase in personal income or a decrease.

Database : the use of the Survey of Health, Ageing and Retirement in Europe (SHARE) enables to explore this problematic among European countries. By using three waves of SHARE, we construct a panel which contains two groups of people : the ones who become disabled and the ones who are in good health all along the study. People are becoming from 12 distincts European countries.

Methodology : a propensity score kernel matching between the two groups described earlier is performed at baseline in order to implement a weighted difference-in-differences model. The combination of the two enables to account for observed and unobserved time-constant differences. Moreover, all the econometric strategy is implemented country by country to ensure the sample is representative of the European countries distribution and to take into account the social protection systems differences.

Results : results seem to prove that there is no significant impact of the onset of disability on personal income. Different robustness checks have been performed: change of the variables used in the PSM; modification of the selection criteria for the treated group; change of the bandwidth; etc. All the results are not significant.

Discussion : some countries have a very small number of individuals (example: Germany) and this no significant result could be related to this point. Moreover, income data are always sensitive because of the non-response. While imputation has been realized in the database, we can have interrogations about these variables. Further investigations should be implemented to validate this non result.

Perspectives: the small sample within countries could be handled by “merging” countries according to their social protection system. Moreover, we find that there is scant evidence in literature on the impact of the onset of disability on the composition of personal income. Therefore, our study would help us to have a detailed description of the mechanisms through which disability influences the personal income, at least, qualitatively.