

How do spouses respond when disability benefits are lost?

“Spouses tend to work more to compensate for loss of household income”

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At the start of this century, the Netherlands had one of the world’s highest shares of workers receiving disability benefits in the insured population. Successive governments sought to reduce disability benefit claims. The last step in this process was the introduction of the Work and Income According to Labour Capacity Act (WIA) in 2006 that tightened the eligibility criteria for disability benefits and increased financial incentives to resume work. That clearly affected individuals who fell sick, but what about their spouses? This paper explores the effects of the WIA on spouses’ labour market participation.

Principal Findings

- For individuals in a stable partnership who entered the sickness scheme (“sick people”), the WIA reduced the use of disability benefits after two years or more by 3.2 percentage points.
- In response, sick people work on average 1.1 percentage points more often, but their spouses also work 0.9 percentage points more often.
- The effects on sick people and their spouses persisted for ten years after the start of sickness.
- Sick individuals with a temporary contract or unemployed when falling sick, found it harder to resume work, and their spouses more often responded by doing paid work to compensate for the income loss. Sick individuals with a permanent contract increased their own labor participation and did not rely on spouses.

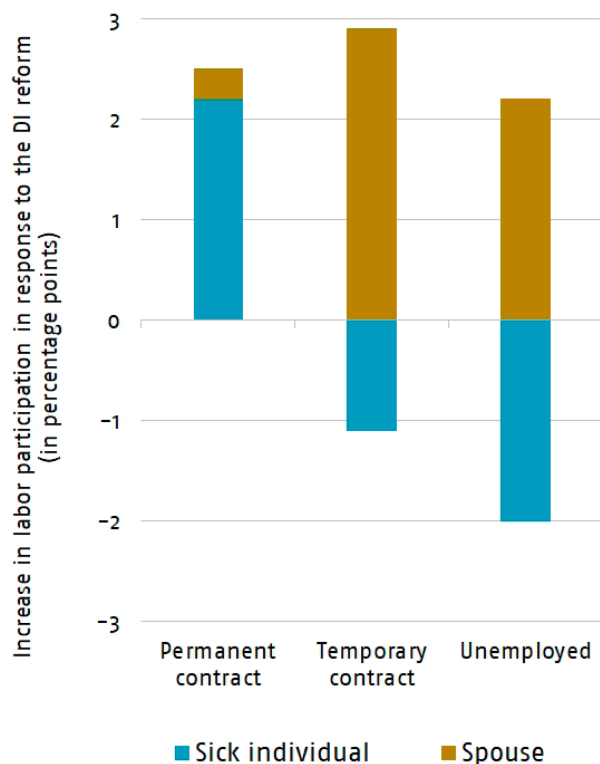


Figure: When sick people are with a temporary contract or unemployed and struggle to work more to compensate for lost DI benefits, their spouses work more to compensate.

Key Takeaways for the Industry

- A complete evaluation of the WIA should consider spill-over effects on spouses.
- Due to the role of spouses in coping with an income shock, social security reforms should pay attention to vulnerable groups of workers with a temporary contract or unemployed who do not have a partner.



Want to know more? Read the paper

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