

Do financial incentives stimulate partially disabled persons to return to work?

“Financial incentives improve labour participation of partially disabled persons, but they are not effective for low-income earners”

Tunga Kantarcı and Jan-Maarten van Sonsbeek – Tilburg University; CPB

The number of people receiving disability benefits in the Netherlands is increasing. The disability scheme for partially disabled workers (WGA) uses financial incentives to increase labour effort when workers exhaust their first stage benefit in the two-staged disability scheme. Do these financial incentives induce work resumption?

Principal Findings

- Financial incentives considerably increase labour participation and earnings among partially disabled individuals.
- This finding contributes to an increasing recognition that partially disabled individuals can utilise their remaining work capacity to notable extents.
- Individuals with low pre-sickness earnings, older individuals, and those who work in the public sector struggle to respond to the financial incentives and increase their labour effort.

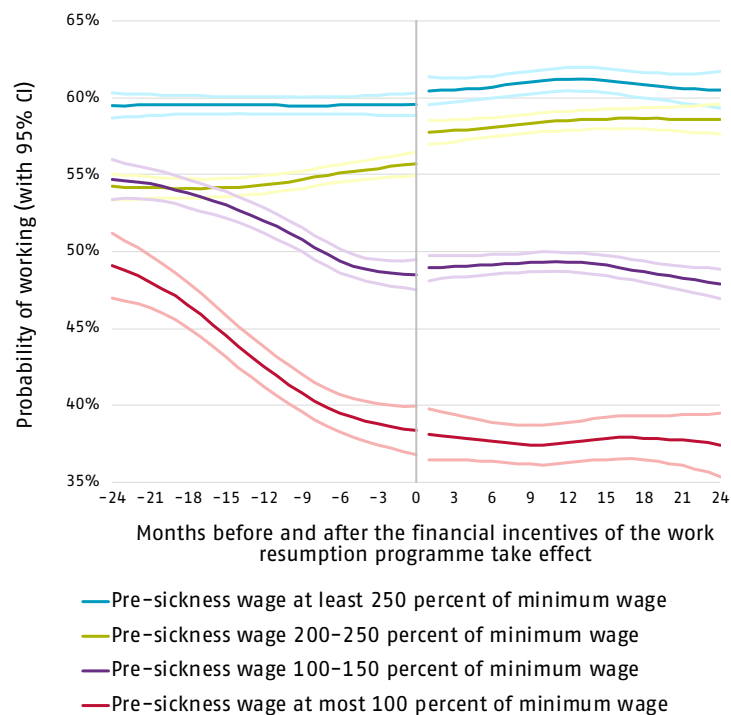


Figure: The higher the pre-sickness wage, the higher the probability of working during the work resumption programme.

Key Takeaways for the Industry

- Financial incentives of the work resumption programme are smaller by design and not effective for the relatively large group of low-income earners. The opportunities to increase their labour participation seem limited not only due to their disability but also lack of skills.
- The work resumption programme is likely to become less effective in the future due to the increasing share of older individuals in the disability scheme who do not respond to the programme. Other policy measures are needed to encourage labour participation of this group.
- Employers in the public sector can be encouraged to employ more partially disabled individuals through measures such as nudging and increasing the intrinsic motivation of employers.



Want to know more? Read the paper

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