

Low and Pistaferri 2015 Outline

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- Background context of the USDI program
- State the question: What are the welfare consequences of reforming key aspects of the DI program that are designed to alter the dynamics of the trade-off between the incentive costs and insurance aspects of the program?
- Methods
 - Life cycle framework
 - Disability or work limitation shock
 - Permanent productivity shock
 - Labor market frictions
 - Estimate parameters using Panel Study of Income Dynamics
 - Analyze impact on welfare and behavior of varying parameters
 - Generosity of disability payments
 - Stringency of screening process
 - Generosity of alternative social insurance programs
 - Reassessment rate
 - Metric for welfare is the consumption equivalent that keeps expected utility at the start of life constant as policy changes
- Results
 - Disability insurance program is characterized by substantial false rejections, but by fewer false acceptances
 - High fraction of false rejections in the screening process leads to an increase in welfare when the program becomes less strict, despite the increase in false applications
 - An increase in generosity of other welfare programs reduces DI application rates by nondisabled workers and increases insurance coverage among disabled workers
- Other literature
 - Reduced form vs. structural
 - Structural models provide opportunity to evaluate counterfactuals
- Organization of the rest of the paper
 - Literature review
 - Present model
 - Summarize data used
 - Discuss identification strategy and present parameter estimates
 - Counterfactual policy experiments
 - Conclusion and limitations