Low and Pistaferri 2015 Outline

Sarah Bass

* 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