DO FINANCIAL INCENTIVES AFFECT FIRMS’ DEMAND FOR DISABLED WORKERS?

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Abstract

A number of OECD countries aim to encourage work integration of disabled persons using quota policies. For instance, Austrian firms must provide at least one job to a disabled worker per 25 non-disabled workers and are subject to a tax if they do not. This "threshold design" provides causal estimates of the non-compliance tax on disabled employment if firms do not manipulate non-disabled employment; a lower and upper bound on the causal effect can be constructed if they do. Results indicate that firms with 25 non-disabled workers employ about 0.04 (or 12%) more disabled workers than without the tax; firms do manipulate employment of non-disabled workers but the lower bound on the employment effect of the quota remains positive; employment effects are stronger in low-wage firms than in high-wage firms; and firms subject to the quota of two disabled workers or more hire 0.08 more disabled workers per additional quota job. Moreover, increasing the non-compliance tax increases excess disabled employment, whereas paying a bonus to over-complying firms slightly dampens the employment effects of the tax. (JEL: J15, J20, J71, J78)

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