Work Disability, Work, and Justification Bias in Europe and the U.S.

Arie Kapteyn, James P. Smith and Arthur van Soest*   September 2009

The fraction of workers on disability insurance (DI) is vastly different across the U.S. and Western European countries with similar levels of economic development and comparable access to modern medical technology and treatment. Institutional differences in eligibility rules or generosity of benefits contribute to an explanation of differences in disability rolls. Recent survey data show, however, that significant differences between Western European countries and the U.S. are also found in self-reports of work limiting disabilities. We find there is only a weak relation between DI-recipiency rates and self-reported health across countries and go on to show that this weak relation is partly caused by differences in response scales used to answer subjective health questions adopted by residents of different countries. We apply a vignette methodology to determine the extent to which differences in self-reported work-limiting disability between several European countries and the U.S. are due to differences in response scales. In addition, we also consider the effect of work disability on employment and the potential effect of justification bias (a possible tendency of nonworking individuals to exaggerate health problems to justify the fact that they don't work) on the estimate of this effect.

Vignettes are brief descriptions of hypothetical individuals. In the case of disability, the descriptions describe individuals with certain health problems and respondents are asked to rate to which extent the "vignette individual" has a work limitation. Since the same vignettes are shown in different countries, the variation in ratings across countries implies that respondents in these countries use different scales to judge the severity of work limitation. In the analysis, we use data from the U.S. (the Health and Retirement Study, HRS) and eight European countries: Germany, France, Spain, Belgium, Greece, Italy, the Netherlands, and Sweden (the data come from the Survey of Health, Ageing, and Retirement in Europe, SHARE).

The response scales used by respondents correlate significantly with the level of social insurance generosity and employment protection in each country. In countries with extensive employment protection, respondents are "softer" (that is, they are more inclined to judge a given health problem as work limiting). We also find that justification bias plays a role in the US, but not in the EU. Americans use health as a justification for not working,

Arie Kapteyn is a senior economist and James P. Smith is the chair in Labor Markets and Demographic Studies at RAND. Arthur van Soest is a professor at Tilburg University in the Netherlands and an economist at RAND. This Research Brief is based on MRRC Working Paper WP 2009-207.

whereas Europeans don't feel the need to do so. The effect of health limitations on employment is about twice as large in the US than in the EU. Our simulations suggest that this mainly reflects the fact that in the EU even healthy individuals are less likely to be working than in the US.

The differences in self-reported disabilities across European countries fall substantially when we use common reporting scales (i.e., if we use vignette corrections to make scales comparable). Consistent with earlier research, we find that Americans are less likely to call themselves work disabled than Europeans.