How Does Employment Risk Following Workplace Injury Vary Over the Income Distribution? Evidence from Matched Workers’ Compensation and Earnings Data from California

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Key Findings and Policy Implications

This paper examines the employment effects associated with workplace injuries by following injured workers for three years after their injury. It focuses on differences in these post-injury employment effects across the wage distribution. The data are from workers’ compensation claims reported to the California Department of Industrial Relations, and linked to earnings data maintained by the state Employment Development Department, the agency that administers California’s unemployment insurance program. The paper finds that:

- When averaged over all injured workers, occupational injuries reduce post-injury earnings by 8.2 percent in the third post-injury year.

- Lower-wage workers experience larger reductions in employment following injury than high-wage workers. The relationship, however, is more U-shaped than continuous, with workers in the second quartile (and, for earnings, the third quartile) of the pre-injury distribution experiencing worse labor market outcomes due to injury than workers in the top and bottom quartiles. This initially surprising pattern appears to reflect the fact that even uninjured workers in the bottom quartile of earnings have markedly worse labor market outcomes.

- The relationship between wages and post-injury outcomes is not easy to interpret, because of the differences between low-wage and high-wage workers in nearly all observable worker, firm, and injury characteristics.

The trajectory from workplace injury to permanent disability, labor force exit, and ultimately, SSDI application is poorly understood, making it challenging to design early intervention policies that might improve the economic outcomes of injured workers before their disability progresses sufficiently to warrant application to SSDI. This study provides new information about these intermediate circumstances that may ultimately affect SSDI enrollment.

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