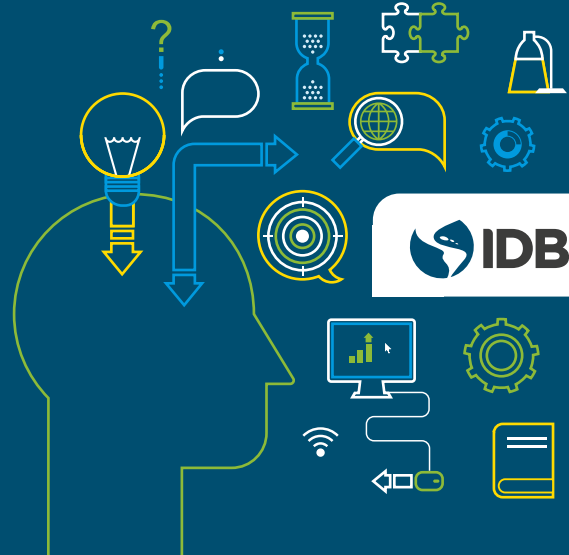


Do Enforcement Spillovers Boost the Effectiveness of Disability Employment Quotas?

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- ➔ Enforcing disability employment quotas through inspections and fines increases hiring of persons with disabilities by about 7 percent.
- ➔ Compared to direct fines, enforcement spillovers through firm networks can have up to twice the impact on disability employment.
- ➔ Targeted enforcement strategies can amplify policy effectiveness beyond directly affected firms even in economies with low compliance.



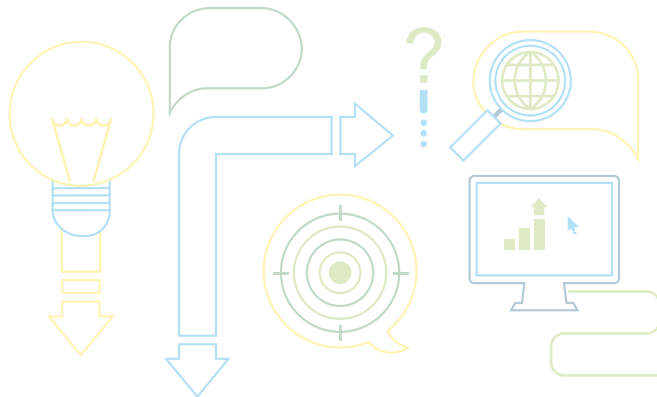
CONTEXT

Many countries have implemented employment quotas to promote hiring of persons with disabilities, but compliance is often low, especially in developing economies. Brazil's Quota Law, introduced in 1991, requires firms with over 100 employees to reserve 2-5 percent of positions for persons with disabilities. However, enforcement was minimal until 2012, when new inspection procedures were implemented. This study examines how enforcing the quota law impacts hiring and how information about enforcement spreads through firm networks to affect compliance more broadly.



PROJECT

We analyzed administrative data on formal employment and labor inspections in Brazil from 2007-2018. We used a difference-in-discontinuity design to measure the impact of the 2012 enforcement changes on firms just above versus below the 100-employee quota threshold. To assess spillover effects, we examined how fines in a firm's network (neighboring firms, firms with shared ownership, or firms sharing HR personnel) impacted hiring of disabled workers in firms not directly fined.





RESULTS

The introduction of stricter enforcement procedures in 2012 led to several notable outcomes.

These included the following: i) a 2.4 percentage point increase in the likelihood of inspection for firms above the quota threshold, ii) a 1.2 percentage point (44 percent) increase in the likelihood of receiving a quota-related fine, and iii) a 6.9 percent increase in hiring of persons with disabilities by firms above the threshold.

Key Concept

QUOTA LAW

A regulation requiring firms above a certain size to employ a minimum percentage of workers from a specific group, in this case persons with disabilities.



In addition to these direct effects, we found significant spillover effects through firm networks, as shown in [Figure 1](#). In particular, when a firm in the network was fined, other firms increased hiring of disabled workers by 4.6-7.4 percent on average, and the effects were strongest for firms not yet complying with quotas. These spillovers occurred without increases in inspection rates, suggesting information sharing as the mechanism. Neighbor and HR networks produced larger total spillover effects than ownership networks due to their larger size, and those effects were estimated to increase hiring of disabled workers by about twice as much as direct fines alone.

While this study found no evidence of negative side effects from increased enforcement, future research should explore potential unintended consequences in other regulatory contexts.



POLICY IMPLICATIONS

Accounting for spillover effects is crucial when assessing the cost-effectiveness of enforcement efforts, as the total impact of those efforts may be much larger than direct effects alone. Effects like those found in this study may apply to other labor regulations, potentially improving compliance across various policy areas.

The findings additionally provide the basis for future policy design and implementation. For example, targeting inspections and fines in areas with higher firm density could maximize spillovers and overall impact. Moreover, actively disseminating information about enforcement actions through business networks may increase compliance without requiring additional inspections. **Combining quota policies with robust, targeted enforcement and information campaigns may thus effectively increase employment of persons with disabilities.**

Key Concept

ENFORCEMENT SPIOVERS

The phenomenon where enforcing regulations on one firm influences the behavior of other firms not directly subject to enforcement actions.

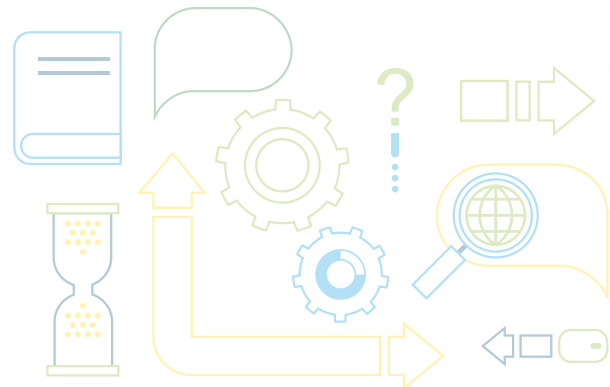
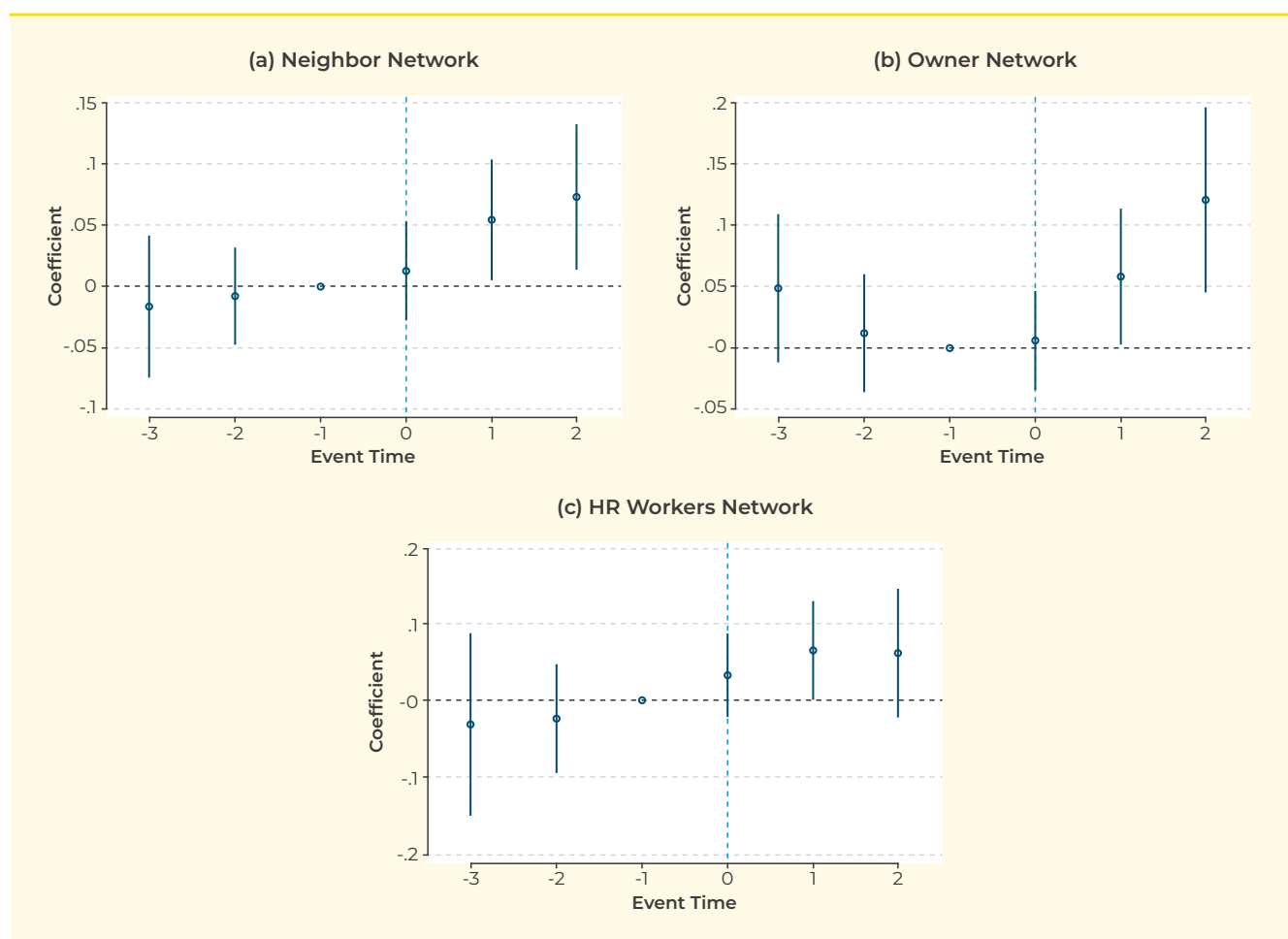


FIGURE 1. Law Enforcement at Firm Networks and the Number of Workers with a Disability



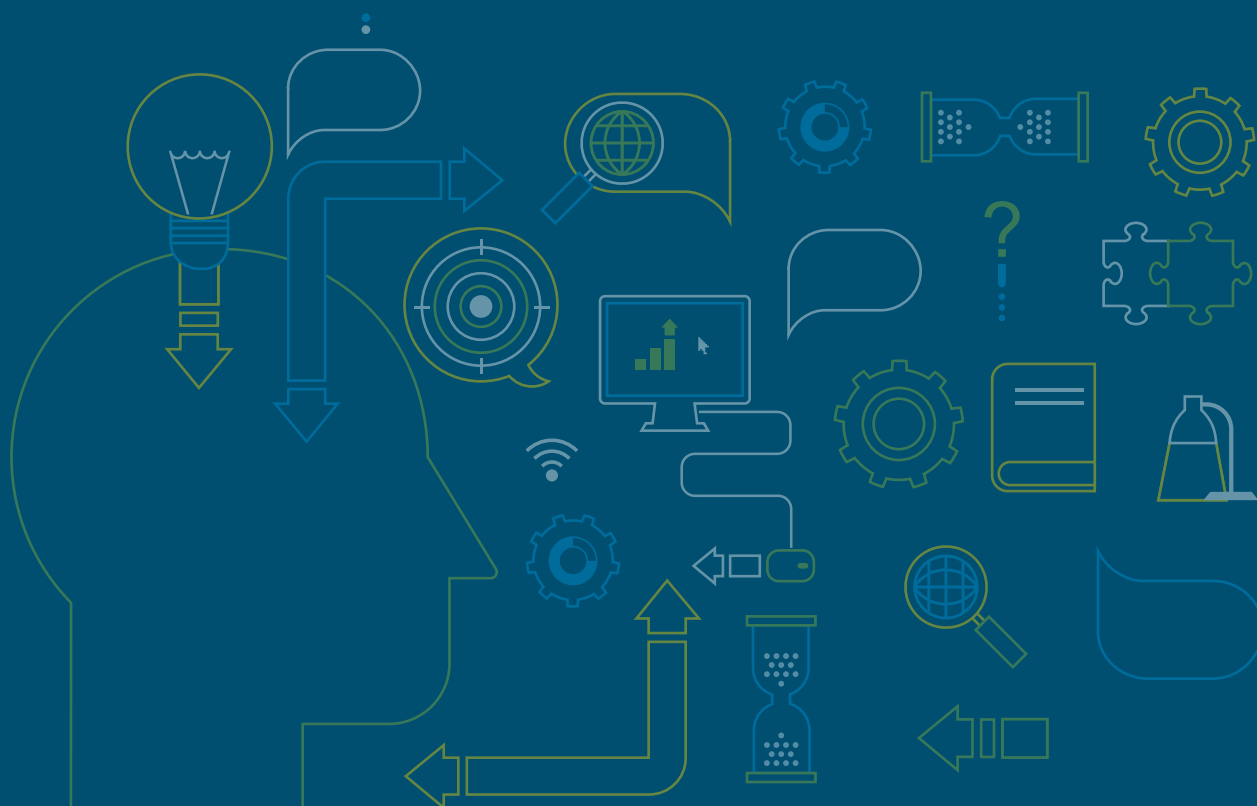
Note: These graphs present estimations from Berlinski and Gagete-Miranda (2024). The dependent variable is the hyperbolic sine transformation of the number of workers with a disability in the firm. The sample comprises firms larger than 100 workers, which did not receive a QL fine in $t = 0$. “Partial Compliers” are firms that had at least 50% of the number of workers with a disability that it should have according to the quota. “Event Time” is the time after the occurrence of the QL fine in the firm’s network. All estimations include cohort and city-by-year fixed effects. 90% confidence interval shown in the graphs.

FULL STUDY

Berlinski, Samuel, and Jessica Gagete-Miranda. 2024. “Enforcement Spillovers under Different Networks: The Case of Quotas for Persons with Disabilities in Brazil.” IDB Working Paper No. 1613. Washington, DC: Inter-American Development Bank. <https://doi.org/10.18235/0013112>.

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