

# How Do Laws and Nudges Affect Compliance with Disability Employment Quotas?

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Chile's Law 21.015, enforcing a 1% employment quota for people with disabilities (PwD) in larger firms, led to a 15.8% increase in PwD employment and 3.6% more eligible firms employing PwD.



Informational letters sent to eligible firms increased PwD employment by 0.13 worker. This cost-effective approach has a significant impact with minimal implementation costs.



The results are hindered by the fact that a large fraction of the increase is explained by the reclassification of incumbent workers, thus not representing true labor inclusion. This is particularly the case when firms are nudged to comply.



## CONTEXT

People with disabilities (PwD) encounter significant challenges in labor market inclusion, facing lower employment rates and wages due to education gaps and workplace barriers. Affirmative action policies, including hiring quotas, have been implemented globally, though their effectiveness varies. In Chile, despite several efforts, PwD still face a 19% participation gap and a 21% wage gap.

Chile enacted Law 21.015 in 2017, mandating companies with 100 or more employees to maintain a 1% employment quota for PwD by 2019. Workers need registry inclusion for benefits, incentivizing registration despite existing barriers. There are also alternative compliance methods, overseen by the Labor Department (Dirección del Trabajo, DT).



## PROJECT

The research project employed a difference-in-differences (DiD) methodology to assess the impact of Chile's labor inclusion quotas. Firms with 83-158 employees, around the 100 workers threshold, were analyzed pre- and post-implementation using a combination of threshold crossing and quotas phase-in for identification.

Additionally, the project conducted an experiment involving informational letters sent to quota-eligible firms, utilizing a DiD strategy to measure their impact on compliance and PwD employment. These letters contained information on relevant aspects of the labor inclusion law, and in May 2018 they were sent by the Labor Department (Dirección del Trabajo) to firms subject to quotas.

 **RESULTS**

**Threshold crossing after the quotas phase-in increased the number of PwD at the firm by 0.08, with this result being significant at the 1% level, representing a 15.8% increase.** We also found that firms were now 3.6% more likely to have at least one PwD worker. In comparison, the average number of PwD working at firms above the threshold was 0.49 before the quotas phase-in, while 53% percent of firms had at least one PwD worker.

There are two channels explaining this higher labor inclusion, hiring of PwD workers and reclassification of incumbent workers (by means of their registration with Chile's National Disability Registry [Registro Nacional de Discapacidad, RND] or payment of disability pensions). While both these channels saw significant growth—with an estimated additional 0.049 new hires and 0.034 reclassified workers—reclassifications increased by a much larger margin with respect to pre-phase-in levels, where on average hirings were 0.45 and reclassifications were 0.039 for quota eligible firms.

**We also found that the quotas phase-in did not have detrimental effects on the firm's overall productivity,** as measured in their likelihood of survival, number of workers, wage bill, average wages, and ability to hire workers on a permanent rather than temporary basis.

**Key Concept****RND**

Chile's National Disability Registry (Registro Nacional de Discapacidad, RND), which follows the guidelines of the International Classification of Functioning, Disability, and Health (ICF) of the World Health Organization (WHO).

Regarding the effects of the letters, our results were consistent with the evidence from the quotas impact, finding that treatment created an additional 0.13 PwD worker, with this effect driven by the informational treatment. The mechanism behind this result was the reclassification of incumbent workers, with treatment related to a 0.08 increase in the number of workers reclassified.

**POLICY IMPLICATIONS**

**Increasing the number of workers with disabilities through reclassifying current workers as workers with disabilities, as many firms currently do, might not comport with the spirit of the law.**

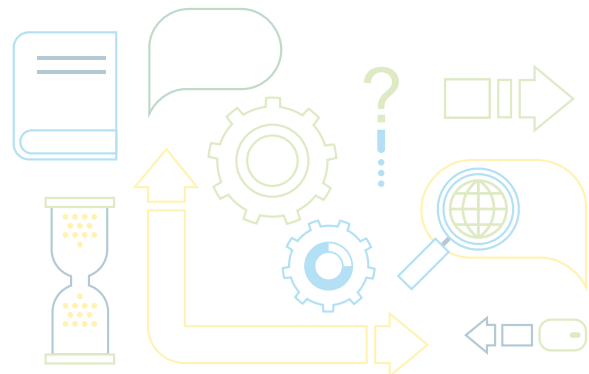
It is possible that this mechanism will decrease over time, both because there should be a fixed number of possible workers to reclassify and because firms might decrease their bias against workers with disabilities if they have had a positive experience with them.

The results from the experiment reveal information as a cost-effective tool. Our study cannot disentangle if letters are effective because firms are not informed about the law or if it is because its content is treated as an audit threat. However, the significance of the impacts with the minimal cost of the intervention is a pathway towards designing efficient policies.

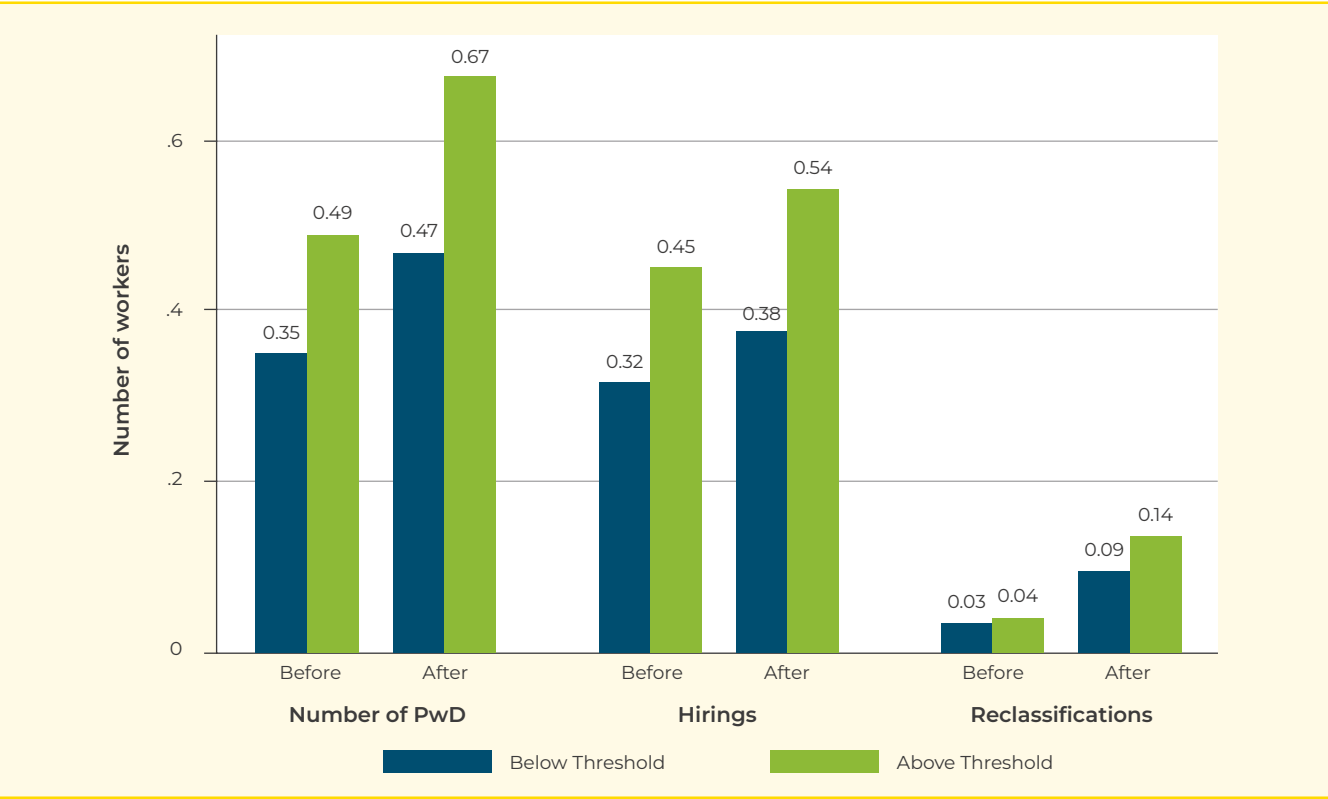
The Labor Department reports a small number of scheduled audits—only 100 and 200 in 2019 and 2020, respectively—underscoring the need for more credible audit threats to improve compliance.

**Key Concept****DT**

Chile's Labor Department (Dirección del Trabajo) ensures compliance with labor legislation by supervising, interpreting, and guiding the correct application of regulations to achieve balanced relationships between employers and workers.



**FIGURE 1. Impact of Quotas**



Note: Firms below threshold have between 83 and 99 workers. Firms above threshold have between 100 and 158 workers. Periods before phase-in are years 2016 to 2018. Periods after phase-in are years 2019 to 2020. Y-axis is in number of workers at the firm level. Number of PwD is the average number of workers with a disability at the firm level. Hiring is the number of workers with a disability hired by the firm after they registered at RND or started receiving a disability pension. Reclassifications is the numbers of workers at the firm that registered at RND or started receiving a disability pension during the current job spell.

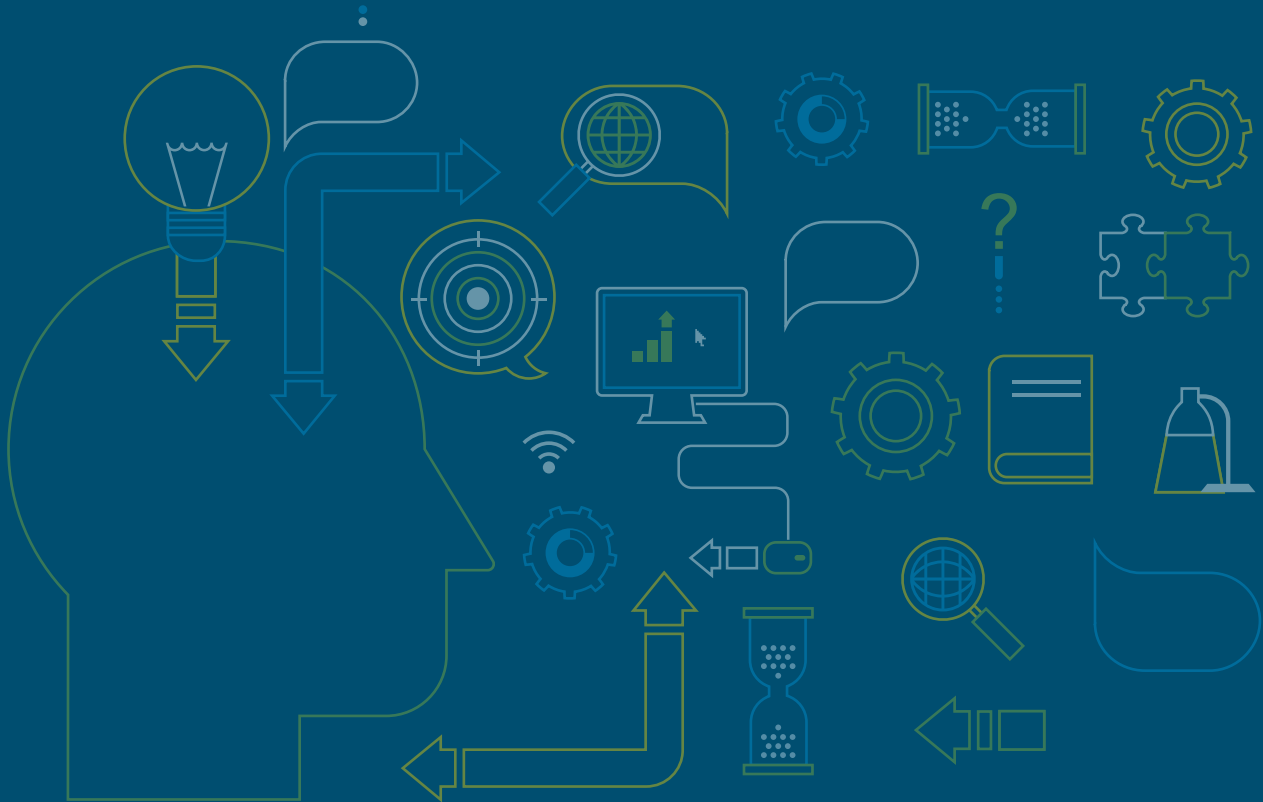


**FULL STUDY**

**Duryea, Suzanne, Claudia Martínez, and Raimundo Smith. 2024. “Disability Employment Quotas: Effects of Laws and Nudges.” IDB Working Paper No. 1539. Washington, DC: Inter-American Development Bank.**

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