

Labour supply and disability support: A fractional-outcome panel data evaluation of a major Australian policy reform

Between 2013 and 2020, Australia introduced a reform of its main social support system for people with disabilities, known as the National Disability Insurance Scheme (NDIS). This new system shifted from a block funding model to a market-based fee-for-service approach, which allowed people with disabilities to have more control over the type of support they received. Using data from a large representative household survey (HILDA), we investigate how households with a member who has a disability divide their time between paid employment, unpaid work, and caregiving and how receiving NDIS support affects this time allocation. To estimate the elasticity of time allocation to NDIS support, we develop a new nonlinear instrumental-variable fixed-effects panel data estimator for fractional outcomes. We apply the estimator to the data, taking advantage of the exogenous variation in NDIS participation induced by the progressive geographic policy roll-out of NDIS eligibility to address the issue of endogenous selection into the scheme.