

# Supporting Work – A Proposal to Modernize the Social Security Disability Insurance System

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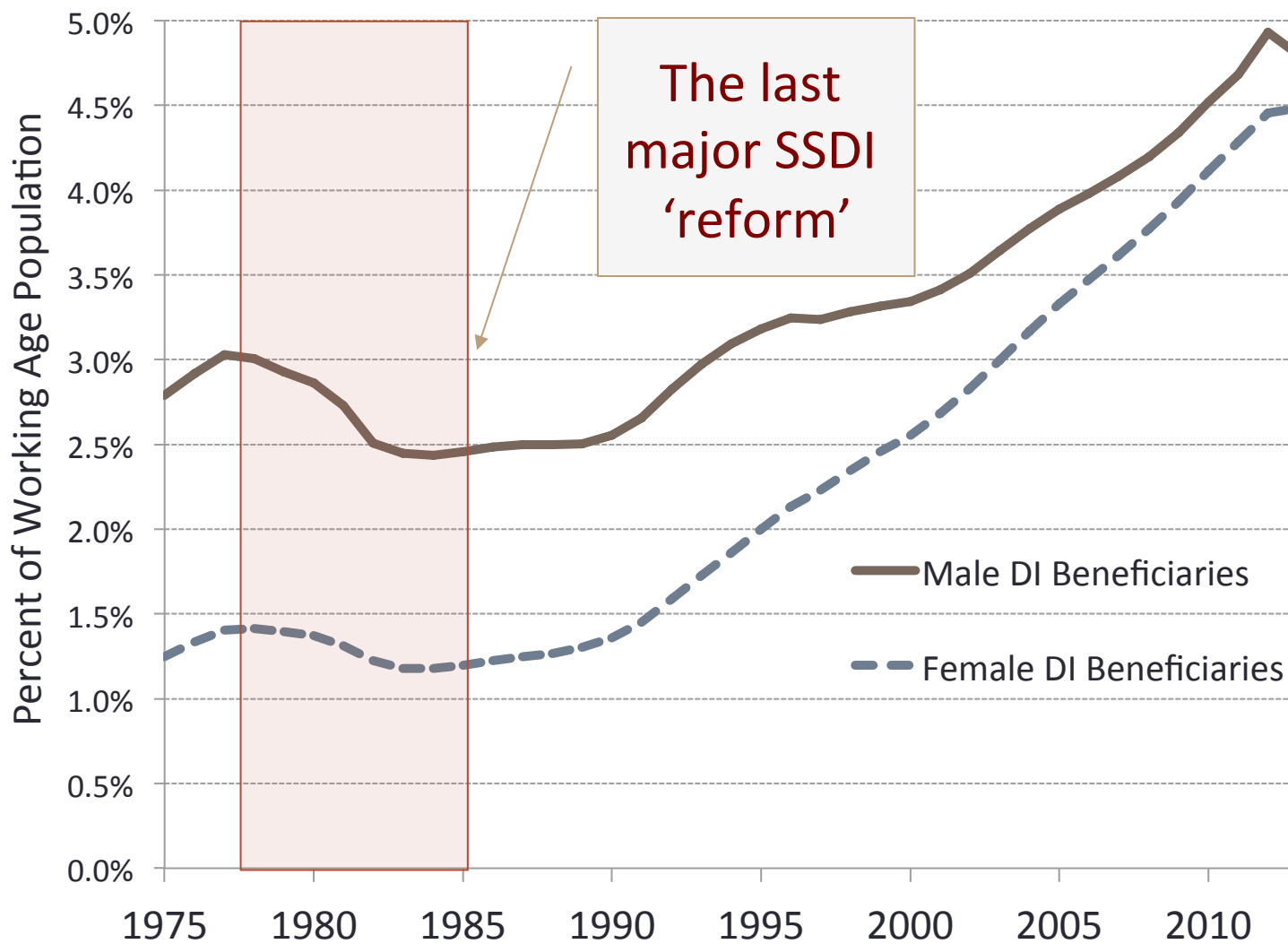
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SSDI Early Intervention Projects Meeting  
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# Three difficulties at core of SSDI program

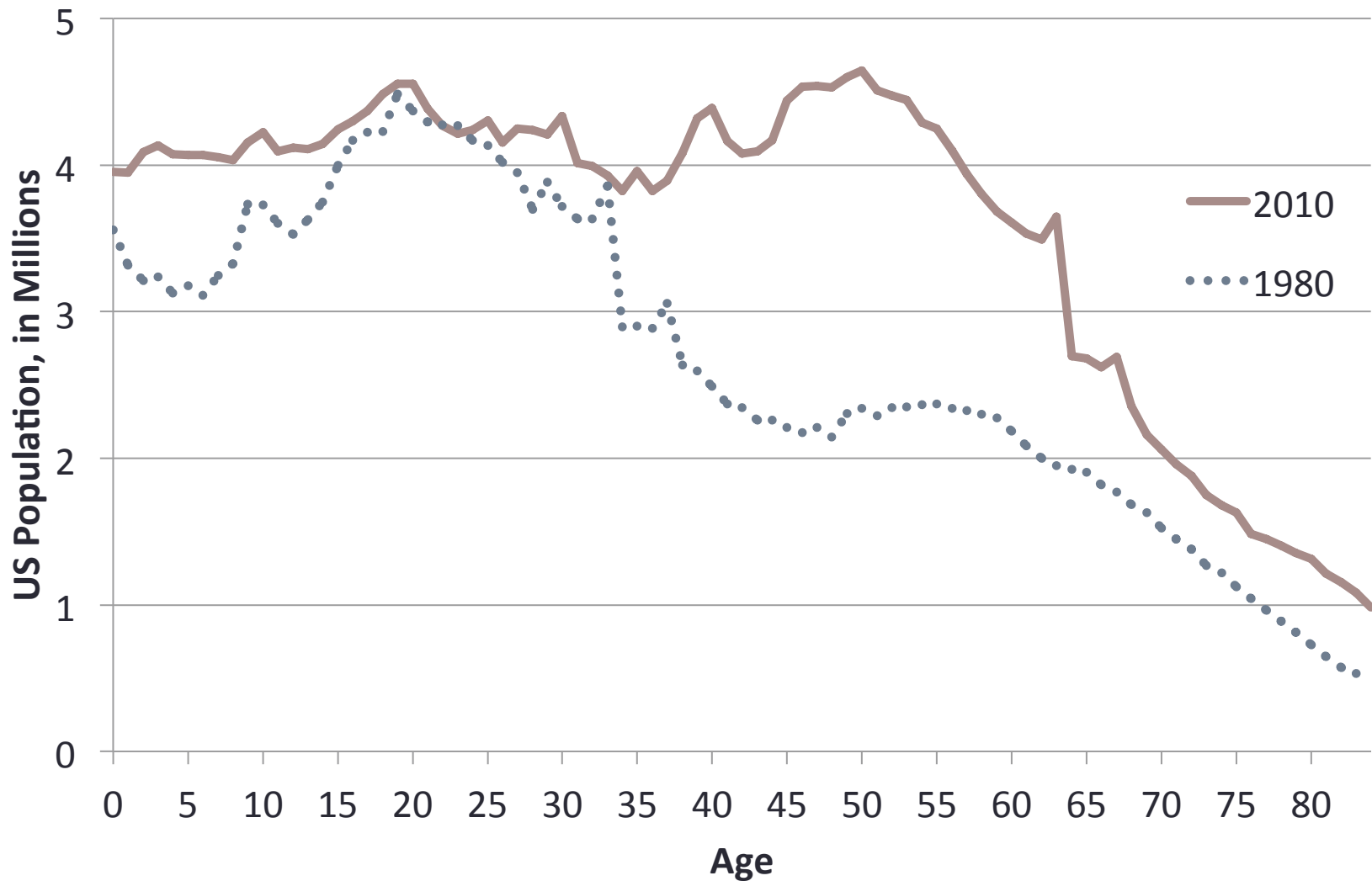
1. SSDI defines disability and employability as opposites: Mutually exclusive states
2. SSDI does not help disabled workers to remain employed or self-sufficient; it rewards labor force exit
3. SSDI provides no incentive to employers to accommodate disabled workers

# Fraction of Working Age Adults Ages 20 – 64 Receiving SSDI 1975 – 2012: Approaching 5%



Source: SSA OACT; Annual Statistical Supplement (2013, Table 7.A9); 2013 Economic Report of the President; Liebman (2015).

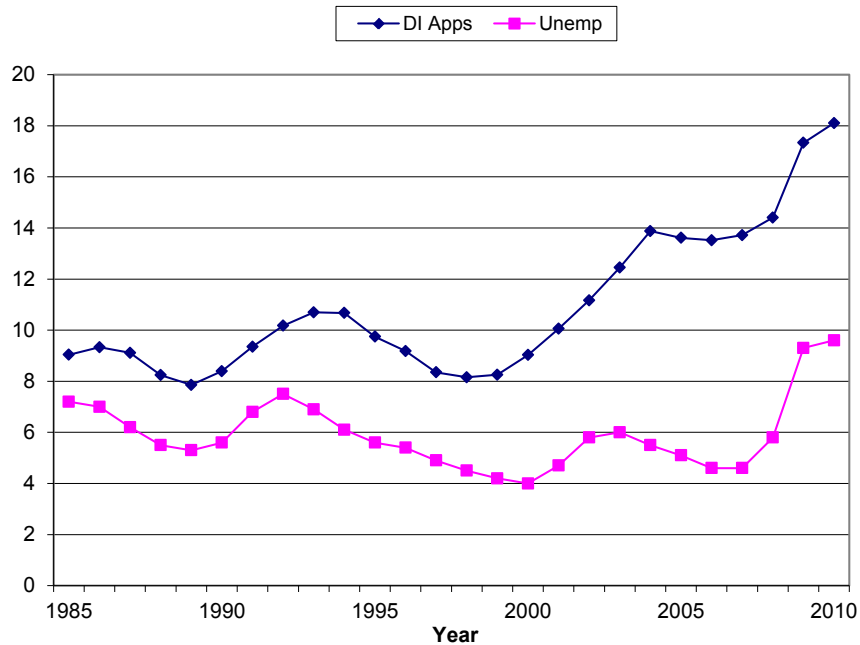
# U.S. Population by Age, 1980 and 2010



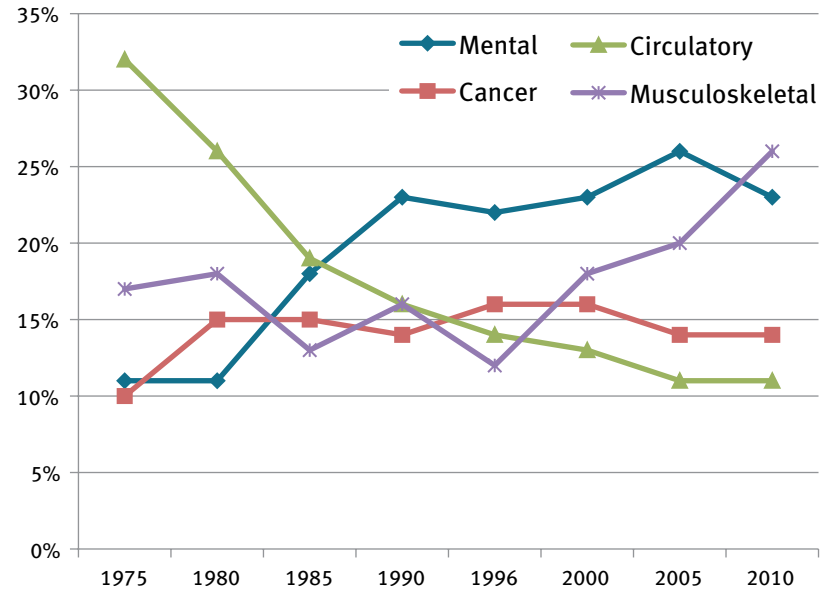
Source: US Census Intercensal Population Estimates and Liebman (2015)

# Apps and Awards are Strongly Counter-Cyclical, with A Growing Share of Non-Verifiable Disorders

## SSDI Apps per 1,000 Insured Highly Responsive to Unemployment Rate

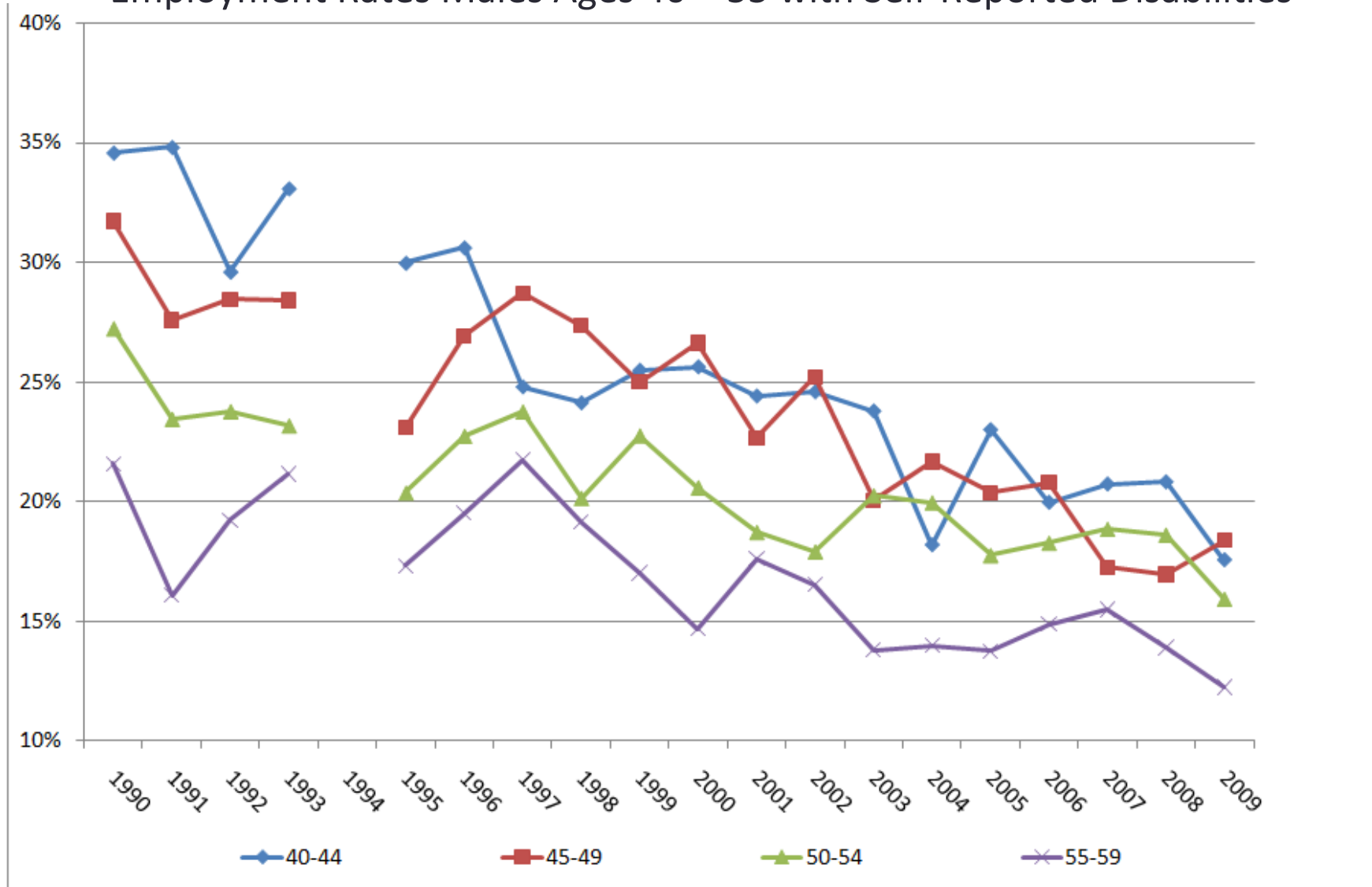


## Initial SSDI Awards by Major Cause of Disability, 1975 - 2010



# Employment to Population Rate of Males with Work-Limiting Disabilities Falling for Since 1990s

## Employment Rates Males Ages 40 – 55 with Self-Reported Disabilities



# What a Modern Disability System Should Do

1. **Support ongoing employment**
  - Front-load assistance, back-load screening
2. **Give incentives to employers**
  - Accommodate workers with disabilities
3. **Give incentive to workers**
  - Remain employed if feasible

# A New Direction for U.S. Disability Insurance: Supporting Work

## 1. Support workers before they lose jobs

- Benefits kick in within 90 days of disability onset
  - a) Vocational rehabilitation
  - b) Workplace accommodations (as required by ADA)
  - c) Partial income replacement while work-limited
- Up to 24 months of benefits—before applying for SSDI

## 2. Cause employers to recognize costs of disability

- Private Disability Insurance carried by employers (PDI)
- Support workers with disabilities to keep working—  
Reasonable Accommodations required by ADA, paid by PDI
- *Employers keep policy costs low by preventing work limitations from becoming career-ending disabilities*



# How Can this be Accomplished?

- **Harness existing capacity: Using private sector**
  - 1/3rd of U.S. workers already covered by PDI policies
- **Modeled on existing U.S. institutions**
  - Unemployment Insurance (UI): All employers, *experience rated*
  - Workers Compensation (WC): All employers, *experience rated*
  - Temporary Disability Insurance (TDI): Six U.S. states mandate
- **Successful precedents**
  - a. Netherlands implemented similar reforms in 2000s:  
Dramatically slowed inflows onto public disability system
  - b. U.S. Workers Compensation system—*No real cost increase in last two decades, even as SSDI claims have grown rapidly.*

# Incentives to Employers

- **U.S. employers have no ‘skin in the game’**
  - Face *zero cost* when worker makes SSDI claim → No incentive to reduce utilization
  - Only sensible *if* employers have no influence on claims—unrealistic!
- **Experience rating under PDI → Employer incentives**
  - Employers will therefore recognize the cost of disability
- **But no need to penalize employers for bad luck**
  - No more than 24 months of partial wage replacement
  - Health care *not* covered via PDI
  - ‘Compassionate Allowance’ SSDI cases: No employer cost

# Oh No! Another Expensive Employer Mandate?

- **Modest cost**
  - Less than \$400 per worker-year, even in 'risky' industries
  - Only ~5% - 7% of cost of Health Insurance
- **Employers face limited and temporary exposure**
  - PDI would *not* pay health benefits
  - Severe, career-ending disabilities go *immediately* onto SSDI
  - Temporary wage replacement: 60% of salary, ≤ \$2,500 month
- **Slowing system-wide costs will reduce employer burden**

	1989	2013	Increase (%)
DI Payroll Tax (still 30% underfunded!)	1.1 %	1.8 %	70 %
SSDI Payments	\$41 bil	\$132 bil	222 %
SSDI Share of Soc Security	10 %	19 %	80 %

# Despite Uncertainties, Key Virtues

1. **Supports work**
  - A universally acknowledged ‘good’
2. **Builds on existing capacity**
  - PDI is widely subscribed, commercially successful
3. **Preserves component of SSDI that work wells**
  - Long term support to those unlikely to work soon
4. **May reduce inflows into long-term SSDI system**
  - Will slow SSDI growth by reducing claims
5. **Consistent with our national values**
  - “The Nation's proper goals regarding individuals with disabilities are to assure equality of opportunity, full participation, independent living, and economic self-sufficiency...” (ADA 1990)

# Who Would Not Benefit from Supporting Work?

## 1. Applicants lacking a meritorious claim

- SSDI serves as both a *non-employability* and *disability program*
- PDI only helps those with work-limiting impairments

## 2. Workers who are non-employable but not disabled

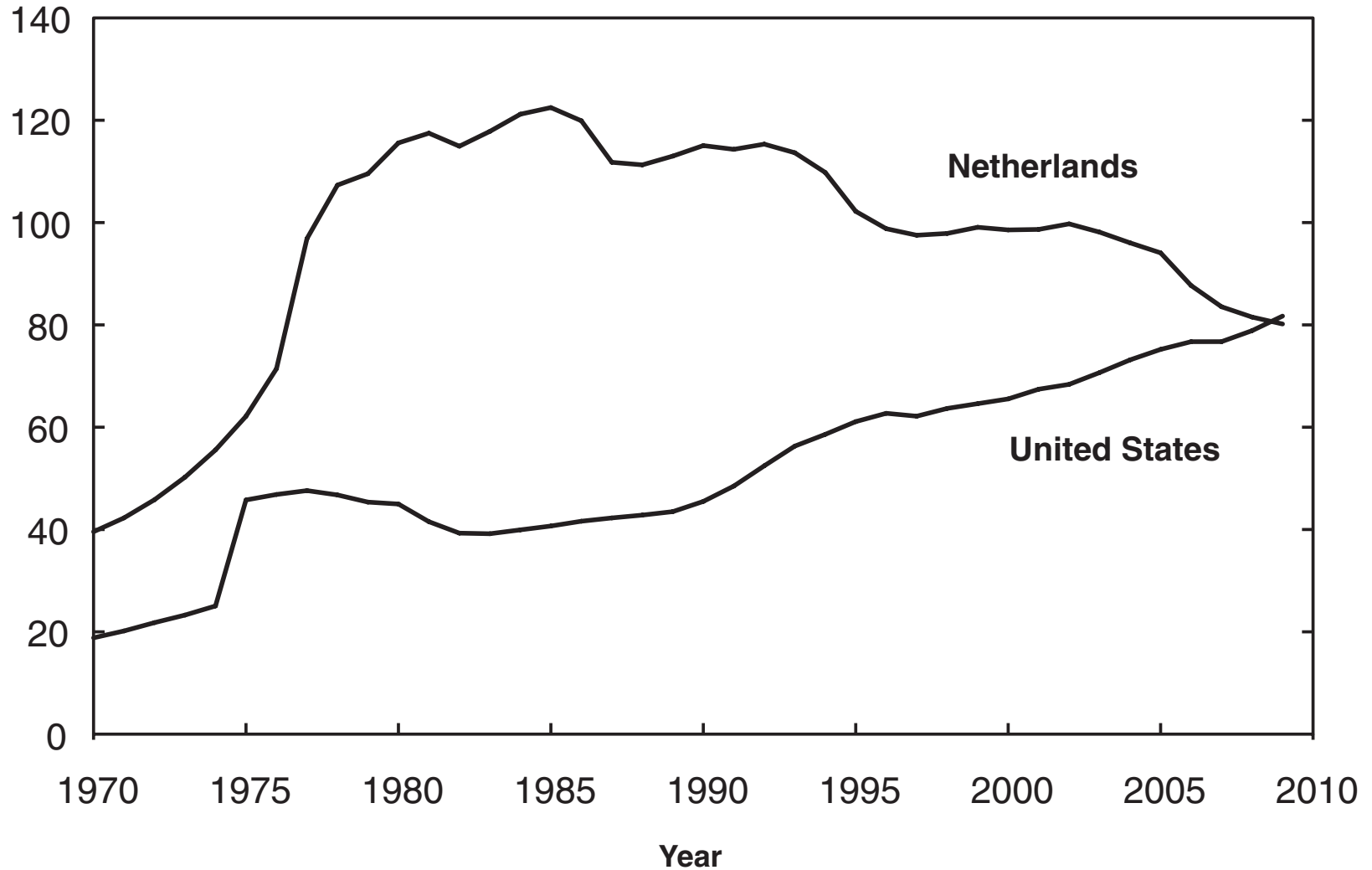
- PDI does not assist those with low skills who cannot find work
- Adds 21 month wait period until SSDI application
- No impairment → No PDI benefits in the interim

## *SSDI not intended to serve non-employable, non-disabled*

- Other policies needed
- EITC for older workers w/o dependents?

# Disability Receipt in U.S. and Netherlands, 1970 – 2009

Beneficiaries per  
Thousand Workers



Source: Burkhauser and Daly 2011

“Never let a good crisis  
go to waste.”

– Winston S. Churchill