This brief is part of A New Direction for Disability Policy, a series exploring how federal policy could improve the employment of people with disabilities by expanding the use of early intervention. The series begins with this brief by examining how federal policy’s focus on Social Security Disability Insurance has led to missed opportunities to effectively support the employment of people with disabilities. A review of recent research and program data shows that the Social Security Disability Insurance program is now on a more stable path, opening the door for a stronger focus on early intervention. We then examine the capacity of federal programs to intervene early with newly ill or injured workers and summarize the evidence base supporting early intervention. The series concludes by exploring how a new universal paid family and medical leave benefit could be paired with grants to states to test promising models and scale up federal early intervention programs over time.

Over the past two decades, the policy focus on Social Security Disability Insurance (SSDI) has been driven by concerns over growth in the number of people claiming benefits, whether the program is fiscally sustainable, and whether SSDI creates a substantial disincentive to work. These concerns have been set against the backdrop of overall declines in the US labor force participation rate and a shortfall in the SSDI trust fund that finances benefits. As a result, policymakers have focused on ways to reform the program’s approach to reviewing and deciding claims, tightening oversight of judges who decide cases, and the quality and appropriateness of program rules. Significant attention has also been paid to incentivizing SSDI beneficiaries to go back to work.

The focus on SSDI program costs is somewhat understandable given the size and importance of the program. SSDI is the primary federal program serving people with disabilities, providing income assistance to 8.7 million disabled workers and 1.7 million spouses and children in 2018. Spending on the
program is estimated to be $148 billion in 2018. Further, in 2015 the program faced an imminent financial shortfall, and Congress was forced to bolster the SSDI trust fund through legislation.

Since 2015, the outlook for the SSDI program has continually improved. The Social Security actuaries have lowered the projected number of applications and new benefit awards every year since 2012 based on new program data. These declines in applications and awards are over and above what were expected as a result of the economic recovery. These data suggest the program is now on a more stable footing and provide an opportunity to take a fresh look at SSDI and disability policy more broadly.

In this first brief in our series A New Direction for Disability Policy, we look back at the key issues that have characterized the debate over disability policy over the past two decades and the response of federal and state policymakers. In particular, we examine factors affecting growth in the SSDI program during the 1990s and 2000s, executive actions taken to address program administration, and recent changes in program trends.

We find that improved program trends are likely the result of a combination of factors, including executive actions taken by the Obama administration partially in response to the criticisms and controversy surrounding the program. That same scrutiny of the program, however, did not translate into effective action to help more SSDI beneficiaries to return to work, much less improve the employment rate of people with disabilities. A new approach is needed to support the employment of people with disabilities that emphasizes evidence-based early intervention strategies to more effectively help newly ill or injured workers stay at work or return to work more quickly.

Social Security Disability Insurance Policy Concerns and Program Trends

A confluence of two major trends that began before the Great Recession have fueled criticism of the SSDI program over the past two decades. First, the number of workers receiving SSDI benefits increased (figure 1). From 1999 to 2016, the number of people receiving SSDI benefits grew from 4.9 to 8.8 million people. Second, the labor force participation (LFP) rate and the employment-to-population ratio declined. The share of people age 16 and over who worked fell 4.5 percentage points, from 64.3 percent to 59.7 percent, between 1999 and 2016 (Abraham and Kearney 2018). Men experienced a 5.9 percentage-point decline in LFP over the same period. These two trends in benefit receipt and LFP led to alarm among academics, policymakers, and the media at the growth in the SSDI program and fueled concern that the program created a disincentive to work, affecting the LFP of working-age men in particular.
Past Program Growth

Many experts concluded that growth in the program during the 1990s and 2000s was largely attributable to congressional action in the 1980s to liberalize program rules (Burkhauser and Daly 2011). This legislation capped off a tumultuous decade for the SSDI program. Early in the 1980s, the Reagan administration pursued aggressive changes to the SSDI program through executive action to reduce program costs. These changes tightened program eligibility and increased the intensity of continuing disability reviews, leading to fewer new benefit awards and more benefit terminations. In response, legislation was enacted later in the decade that had a countervailing impact. The legislation clarified SSDI policies regarding assessment of pain and mental illness and required SSA to demonstrate that a beneficiary had medically improved before deciding he or she no longer met the eligibility standard and terminating benefits. Many experts argued that the statutory changes later in the decade more than compensated for the earlier tightening, causing the overall administration of the program to become more permissive and leading to the growth in the program through the 1990s and 2000s.

Although most experts agree that policy changes in the 1980s contributed to program growth, several offer more complex, nuanced explanations for the trend. For example, Autor and Duggan (2006) argue that both changes in program rules and changes in the distribution of wages over time drove...
program growth. Others point to the changing demographic composition of the workforce and increased LFP among women. In a hearing before the Ways and Means Committee in 2011, Steve Goss, the Chief Actuary of the SSA, testified that policy changes in the 1980s led to increased benefit award rates for younger workers but that the impact of policy changes in the 1980s took decades to be fully reflected in overall participation levels (Goss 2011). The Chief Actuary also identified changes in the composition of the population, particularly the aging of the population and increased participation of women in the labor force, as a key factor in the program's growth. As the age of the population increased because of falling mortality rates and lower birth rates, a larger portion of workers were more likely to have a disability. Further, as women increasingly joined the labor force over the past 30 to 40 years, they also became fully insured for SSDI and began to apply for and be awarded benefits at rates similar to men. Liebman (2015) also attributed growth in the program to these three factors and found that much of the growth in the program from 1985 to the early 1990s was attributable to earlier policy changes; later growth was largely caused by increases in the LFP of women and the aging of the workforce. Daly, Lucking, and Schwabish (2013) concluded that these three factors together explained between 43 percent and 56 percent of the program growth.

Concerns that SSDI Reduces Labor Force Participation

Although the coincident trends in the growth in the SSDI program and the decline in LFP raised concerns that the program itself may be a significant factor in lowering the overall LFP rate, two recent studies suggest it played a small role. Abraham and Kearney (2018) recently reviewed the literature on LFP and concluded that 0.14 percentage points of the decline in the overall LFP could be attributed to the growth of the SSDI program. Similarly, the White House Council of Economic Advisers (2016) concluded that the growth of the SSDI program explains only a small portion of the decline in LFP of prime-age men.

Although not a primary driver of the lower LFP rate, basic economic theory suggests that providing income support will create some disincentive to work. A long and deep body of research has examined the extent of this disincentive associated with SSDI (Bound 1989; Gelber, Moore, and Strand 2014; Maestas, Mullen, and Strand 2011; Manchester, Song, and von Wachter 2008, 2011). This research indicates that a work disincentive exists but that the size of the disincentive is small relative to the amount of income support SSDI provides. In other words, some applicants for SSDI are forgoing modest potential earnings from work in order to receive the more stable monthly SSDI benefit. The research also concludes that the effect is larger for people with less severe impairments and that eligibility for Medicare (something SSDI beneficiaries automatically qualify for even if they are under age 65) provides an additional, significant incentive to apply for SSDI. Autor and colleagues (2017) reach a related and troubling finding that applicants' skills erode while awaiting a decision by SSA, and this erosion of work capacity affects applicants who are both allowed and denied. Although this research suggests a continued need to improve SSDI and mitigate work disincentives, it does not support claims that the program is fundamentally flawed.
New Projections

Growth in SSDI participation fueled congressional concerns and media coverage of problems with the program’s administration. Media outlets such as the *Wall Street Journal*, 60 Minutes, National Public Radio, and others published pieces critical of the program’s growth. Some press stories were profiles of judges awarding benefits in nearly all cases; others revealed scams people used to fraudulently receive benefits. These stories often portrayed SSDI as functioning more as an unemployment insurance program than as a social insurance benefit for workers with serious disabilities. Congress also became increasingly concerned about administration of the program and held hearings focused issues such as the claims hearings process and the role of administrative law judges.

The concern peaked in 2015 when projections of the program’s financial health indicated that the SSDI trust fund that finances benefit payments would run out of funds within a year. This pushed Congress and the Obama administration to include a provision in the Bipartisan Budget Act of 2015 that temporarily reallocated payroll tax revenues from the Old-Age and Survivors Insurance Trust Fund to cover the shortfall. The legislation also reestablished the SSDI demonstration authority to test new work incentives and other program changes through 2022 and enacted other modest changes.

Interestingly, we now know that the trends that combined to paint a troubling picture of the program leading up to 2015 were already stabilizing. As early as 2011, the key factors driving program growth—application and allowance rates—began to decline (Zayatz 2015). Indeed, the latest data on SSDI is encouraging: after reaching more than a million new awards in 2010, award rates began to decline, and over the past three years, new awards have returned to pre–Great Recession levels, averaging between 750,000 and 770,000 annually. As a result, after a long period of growth, total SSDI program participation peaked at 8.95 million in 2014 and then fell to 8.60 million in August of this year.

The Social Security trustees have gradually incorporated these lower SSDI prevalence rates into their projections, leading to a significant improvement in the program’s projected finances. As a result, the latest projections from the SSA actuaries estimate that the SSDI trust fund will have enough reserves to last until 2032 (compared with an estimate of 2022 after the Balance Budget Act’s enactment in 2015).

The primary drivers of the decline in program participation are not fully understood. Demographic factors likely play an important role as baby boomers reach the Social Security full retirement age (at which point they can no longer apply for SSDI), and women’s participation in SSDI plateaued at a level comparable to men’s (Glenn and Goss 2018). Further, the economy has continued to grow steadily following the Great Recession and an initially slow recovery. Using variations in the timing of the Great Recession across states, Maestas, Mullen, and Strand (forthcoming) estimate that the recession caused 400,000 more people to enter the SSDI program, representing 11.6 percent of applications filed from 2008 through 2012. They also estimate that about 100,000 people accelerated their claim because of the recession, but only by two or three months. However, overall SSDI remains a larger program than in the past. Ben-Shalom, Stapleton, and Bryce (2018) compare successive birth cohorts and find that for
those born between 1955 and 1974, an increasing percentage of each subsequent birth cohort entered SSDI and stayed on the program longer at ages 45, 50, and 55 than previous cohorts.

In addition to these economic and demographic changes, the executive branch made significant policy changes to the SSDI program over the past 10 years, improving the program and possibly contributing to lower award rates. Under the Obama administration, SSA took a series of important administrative actions, including updating medical regulations for determining disability to better reflect contemporary medical practices and updating rules regarding the weight given to different types of medical evidence. SSA also improved training and guidance to administrative law judges, leading to more consistent practices and overall lower levels of allowances by administrative law judges (Ray and Lubbers 2015). In addition to these administrative changes, the Bipartisan Budget Act brought about more limited reforms and renewed SSA’s demonstration authority.

Simultaneously, sustained low funding for SSA’s administrative budget (Romig 2017) may have made the program less accessible and reduced application rates. Deshpande and Li (2017) find that the closure of field offices may have had an impact on new applications by reducing access to program information. Similarly, low administrative funding for SSA’s operations have led the agency to substantially curtail mailing Social Security statements, possibly reducing awareness of the SSDI program and reducing application rates in turn. Indeed, when SSA increased issuance of Social Security statements beginning in 1994, enrollment in SSDI went up. Armour (2018) estimates that the increased information about SSDI provided in these statements explains 18 percent of the growth in SSDI from 1994 to 2004.

It is difficult to know how much the Obama-era executive branch actions changed the program, but the timing of the changes and their implementation directly preceded the declines in overall award and application rates. The pattern of award rates also supports the idea that they had an impact. In the past, award rates declined in response to a surge in applications, which tends to occur during economic downturns (Goss et al. 2013). When the economy recovers, new applications typically decline and the award rate increases because the remaining applicants suffer from relatively more severe conditions. However, the fact that the two have declined in tandem suggests that the Obama administration’s changes may have led to reduced award rates. These factors have led the Social Security trustees to estimate that the program now has 10 more years of solvency than originally forecast at enactment of the Bipartisan Budget Act. This is in addition to what was expected to occur because of the economic recovery.

The pattern of past growth in SSDI participation and the recent stabilization of the program is consistent with the idea that a mixture of economic, demographic, and programmatic factors explain much of the program’s growth. As figure 2 shows, when the percentage of insured workers receiving SSDI is adjusted for demographic factors, the impact of the economic recession and subsequent recovery are clear. Although the program improvements carried out during the Obama administration also likely affected program participation, it is less clear what relative weight they may carry. Despite this, it is reasonable to conclude that the fiscal health of the SSDI program is better than it was just a few years ago, and program fundamentals are on a stronger footing than in past decades.
Improving the Labor Force Participation of People with Disabilities

Although SSDI is now on a more stable path, serious concerns about how to support the employment of people with disabilities remain. The focus on federal SSDI program costs may have led to needed reforms to the claims review process and eligibility standards, but it has not produced better employment outcomes for people with disabilities. Instead, it has led to significant investment in work incentive programs and demonstrations within the SSDI program and far less investment based on evidence supporting the effectiveness of early intervention strategies that would target workers before they receive SSDI.

**Source:** The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, Table V.C5.

**Notes:** Estimates adjusted for demographic factors, including growth in women’s labor force participation, population growth and aging, and increases in Social Security’s full retirement age.
Employment of People with Disabilities

Data from the Current Population Survey show that employment of people with disabilities is low. Overall, 10.6 percent of the nonelderly adult population report having a disability, and only 36 percent are employed, a rate less than half that for people without a disability (Kraus et al. 2018). A majority of people with disabilities who are out of the labor force report a desire to work.

Studies suggest that medical impairments are a significant factor in the labor force participation of working-age men. Krueger (2017) looked at data from the 2013 American Time Use Survey and found that 43 percent of prime-age men not in the labor force said their health was fair or poor; only 12 percent of employed men made a similar report. Using pooled data from the 2008 to 2016 Current Population Survey, he found that among working-age men not in the labor force, 34 percent reported at least one disability. Krueger also found that nearly half of working-age men who are not in the labor force take pain medication daily, and 40 percent report that pain prevents them from accepting a job.

Despite the challenges associated with health impairments, evidence suggests many people can overcome them and continue to work. Results of the 2015 Kessler Foundation National Employment and Disability Survey indicated that 42 percent of people who reported a disability were working and that overall, 68 percent were either working or striving to work (Sundar et al. 2018). A large portion of the respondents in the survey who were employed with disabilities said they were able to stay in the workforce by overcoming obstacles to work, such as the need for workplace accommodations.

Addressing the employment of people with disabilities is a pressing need. Workers who experience a serious illness or injury are at a high risk of economic distress. The percentage of adults who reported a work limitation and were living below 100 percent of the federal poverty level grew from 24.8 percent in 1980 to 31.9 in 2013, according to the Current Population Survey.8 People with chronic health conditions have substantially higher rates of material hardships (Karpman, Zuckerman, and Gonzalez 2018; She and Livermore 2007; Woolf et al. 2015). Researchers who examined survey and credit reports for people hospitalized in their 50s found that for the three years after hospitalization, the economic hardship from the loss in earnings was three times more significant than the hardship associated with out-of-pocket medical costs (Dobkin et al. 2018).

The challenges associated with work and disabilities are especially difficult for vulnerable populations. Evidence is clear that lower-income people have significantly higher rates of specific health conditions and activity limitations than average (Minkler, Fuller-Thompson, and Guralnik 2006; Woolf et al. 2015), and this is the population most responsible for the trends in LFP and SSDI incidence. Woolf and Aron (2018) also find that health in the US is declining compared with comparable countries in Europe. Just as research is showing significantly lower life expectancy for lower-income workers (Auerbach et al. 2017), it is important to consider the policy implications of trends in health among lower-skilled and lower-income workers and to identify possible interconnections with opioid use and the increase in what Case and Deaton (2015) identify as deaths of despair.
Federal Policy Response

SSDI-based efforts to support disabled workers have led to the creation of eight work incentive programs and demonstrations since 1991. Evidence from the largest program, Ticket-to-Work, show no increased employment from the program (Livermore et al. 2013; Schimmel et al. 2013). Some of SSA’s demonstration projects have shown limited impact, but taken together they do not provide evidence that an SSDI-focused strategy will significantly change the labor force outcomes for people with disabilities (Romig 2016; Wittenburg, Mann, and Thompkins 2013).

The existing demonstration and pilot programs generally share the same limitation of waiting to intervene with workers until after they have applied for SSDI benefits. Research shows that waiting until after a worker has developed a work-limiting disability and has been out of the labor force for a sustained period reduces his or her likelihood of future employment. As a result, many disability experts recommend some form of early intervention (Autor and Duggan 2010; Burkhauser et al. 2014; Christian, Wickizer, and Burton 2016; Gimm, Hoffman, and Ireys 2014; Liebman and Smalligan 2013; OECD 2010; Stapleton, Ben-Shalom, and Mann 2016; Wickizer, Franklin, and Fulton-Kehoe 2018).

An early intervention strategy ideally engages with an at-risk worker while he or she is still connected to an employer. Such programs can identify possible workplace accommodations consistent with the expectations of the Americans with Disabilities Act. An early intervention strategy could help recently unemployed workers before their skills and confidence erode, their health deteriorates further, and time out of work becomes an additional impediment. Given limitations of the SSDI program to effectively intervene in supporting newly disabled workers, a new direction for disability policy would shift focus from people who have been awarded SSDI benefits to the capacity of other key federal employment support programs for people with disabilities, such as the Vocational Rehabilitation and Workers’ Compensation programs, which can both intervene with workers earlier.

Conclusion

For many years, federal disability policy has focused largely on the financial state of SSDI and how to curb its growth. However, new data on program trends show that SSDI’s growth has slowed, and the financial status of the program has significantly improved. Demographic and economic factors have influenced these trends, and the Obama administration’s actions may have further improved the financial condition of the program, pushing the projected insolvent date into the early 2030s. Further, recent research indicates that the SSDI program has played only a small role in the overall decline of the labor force participation rate.

Although the focus on SSDI spurred executive action to reform the program and may have contributed to its improved financial status, that focus has not increased the employment of people with disabilities. Workers with disabilities still face significant challenges in the labor market as indicated by their startlingly low labor force participation rate. But SSDI-based work incentives have shown very little or no impact on employment outcomes.
Focusing policy too narrowly on SSDI distracted attention away from designing and testing effective employment support programs based on early intervention strategies. Research suggests that that the most effective approach to supporting the employment of people with disabilities requires targeting and intervening early with workers who have developed a new potentially disabling condition before they reach SSDI. A new, broader approach is needed to shift the focus beyond the SSDI program to involve the full array of disability and work support programs that are better positioned to intervene early with newly at-risk workers. Proposals to create a new universal paid family and medical leave benefit could provide an opportunity to identify and intervene with workers earlier and test promising approaches. In the next brief in this series, we explore this idea further and examine the role of key federal employment support programs in targeting at-risk workers early and the opportunities that creating a universal paid medical leave benefit might offer.

Notes


3 Steve Kroft “Disability USA,” 60 Minutes, October 10, 2013.


References


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