Supporting Work:  
A Proposal for Modernizing the U.S. Disability Insurance System

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Social Security Disability Insurance (SSDI), 1956 - Present

1. Crucial piece of U.S. safety net
   - Insures 152 million non-elderly American workers
   - Pays benefits to 8.1 million workers with disabilities

2. SSDI’s outmoded definition of disability inhibits efficacy
   - SSDI cannot assist workers with disabilities to keep working
   - Compare to Americans with Disabilities Act of 1990
     “Physical or mental disabilities in no way diminish a person’s right to fully participate in all aspects of society…”

3. Result: A dual misdirection of resources
   - Too little $ Helping workers w/disabilities to remain employed
   - Too much $ Fostering unnecessary long-term dependency
Fraction of Adults with Disabilities is Stable *but* Fraction Receiving SSDI is Rising Sharply, 1988 – 2008

**Percent of adults with self-reported disability**
Percentage of people reporting a work-limiting health condition or disability, ages 40-59

**SSDI recipient as a share of adults**
Fraction of individuals receiving SSDI benefits, ages 40-59, 1988-2008

www.americanprogress.org

www.hamiltonproject.org
Consequences: Falling Employment of Adults with Disabilities and Rising SSDI Program Expenditures

Employment Gap between Adults with and without Disabilities: Growing


SSDI Program Expenditures: Growing

Real annual expenditures for SSDI Recipients, 1979-2009

Millions of 2009 dollars
A New Direction for U.S. Disability Insurance: Supporting Work

1. Support workers *while still working*: \( \leq 90 \) days of onset
   a. Vocational rehabilitation
   b. Workplace accommodations (as required by ADA)
   c. Partial income replacement while work-limited
   d. Up to 24 months of benefits—*before applying for SSDI*

2. Incentives to employers: Recognize costs of disability
   a. *Private Disability Insurance* carried by employers: PDI.
   b. Support workers with disabilities to *keep working*—
      ‘Reasonable Accommodations’ required by ADA, paid by PDI
   c. Employers will *keep their 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
  - *Modest cost*: < $250 per worker-year (5% of Health Insurance)

- **Modeled on existing institutions that we hold dear**
  - a. Unemployment Insurance (all employers)
  - b. Workers Compensation (all employers)
  - c. Temporary Disability Insurance (all employers in 5 states)

- **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.*
Oh No! Another Expensive Employer Mandate?

- **Modest cost**
  - Less than $250 per worker-year, even in ‘risky’ industries
  - Only 5 percent of cost of Health Insurance

- **Employers would 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**

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<thead>
<tr>
<th></th>
<th>1989</th>
<th>2009</th>
<th>Increase (%)</th>
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<tbody>
<tr>
<td>DI Payroll Tax</td>
<td>1.1 %</td>
<td>1.8 %</td>
<td>70 %</td>
</tr>
<tr>
<td>SSDI Payments</td>
<td>$41 bil</td>
<td>$122 bil</td>
<td>198 %</td>
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<tr>
<td>SSDI Share of Soc Security</td>
<td>10 %</td>
<td>18 %</td>
<td>80 %</td>
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Who Would Benefit from Supporting Work?

1. **Workers with disabilities**
   - Prevent work limitations from *needlessly* ending careers:
     Reverse 40% fall in *employment rate* in last 20 years
   - Allow them to enjoy benefits of gainful employment

2. **Employers**
   - Retain valuable human capital: Lose fewer workers to SSDI
   - Cost-effective insurance + expertise for complying with ADA
   - Longer-run: Reduce payroll tax burden

3. **All Americans**
   - Improve economic security for *all* workers and their families
   - Enhance longevity of Social Security—weakened by SSDI
   - Repurpose ill-used resources:
     *From* fostering unnecessary long-term dependency
     *To* helping workers with disabilities to remain employed