



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

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# Social Security Disability Insurance (SSDI), 1956 - Present

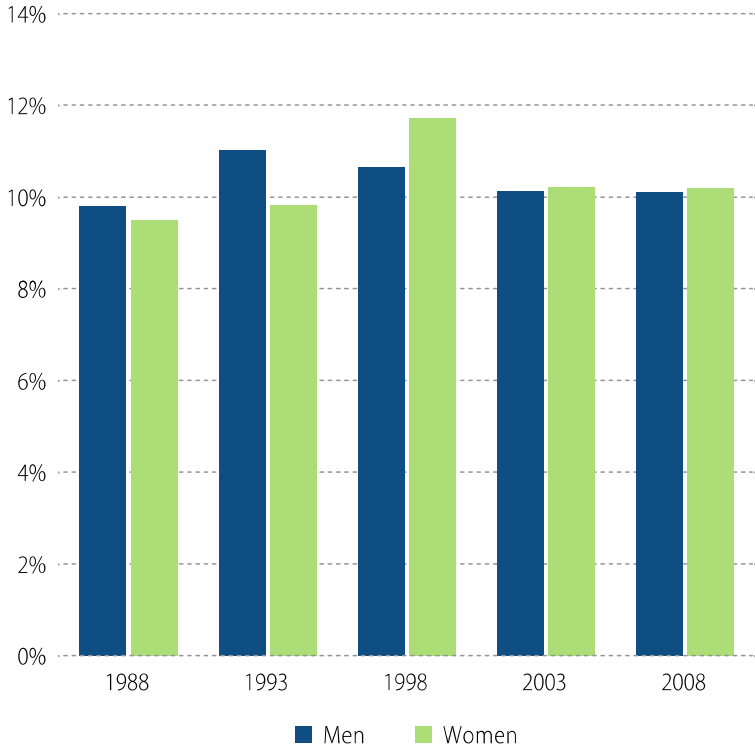
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1. Crucial piece of U.S. safety net
  - Insures 152 million non-elderly American workers
  - Pays benefits to 8.1 million workers with disabilities
2. SSDI's outmoded definition of disability inhibits efficacy
  - SSDI cannot assist *workers* with 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

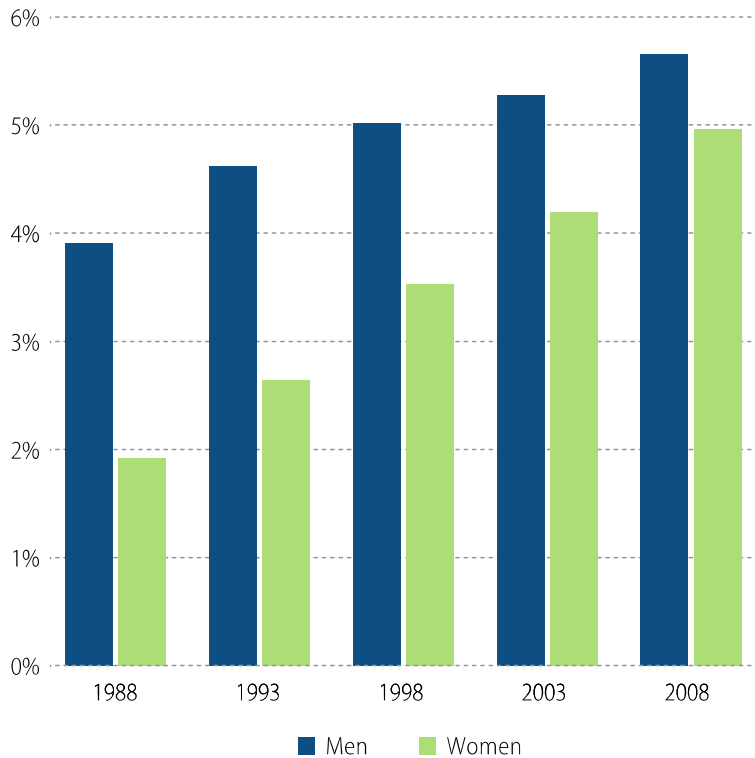
## Percent of adults with self-reported disability

Percentage of people reporting a work-limiting health condition or disability, ages 40-59



## SSDI recipient as a share of adults

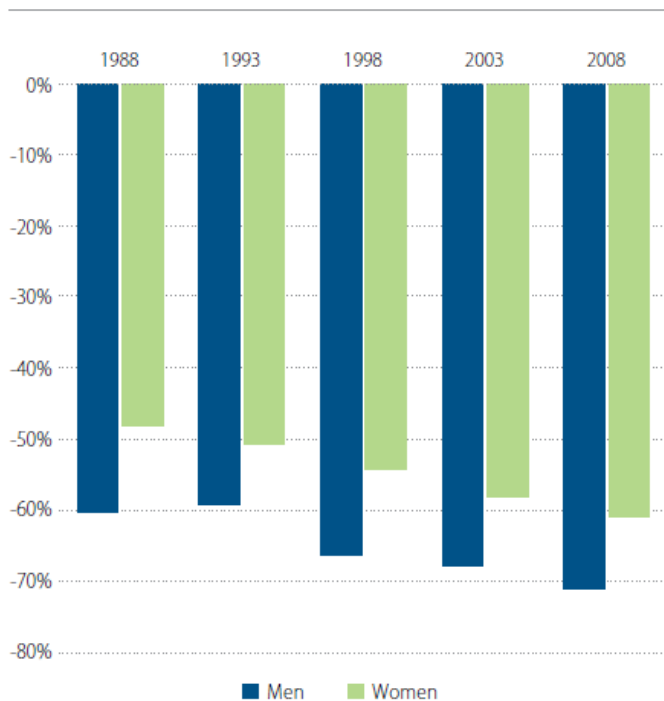
Fraction of individuals receiving SSDI benefits, ages 40-59, 1988-2008



# Consequences: Falling Employment of Adults with Disabilities and Rising SSDI Program Expenditures

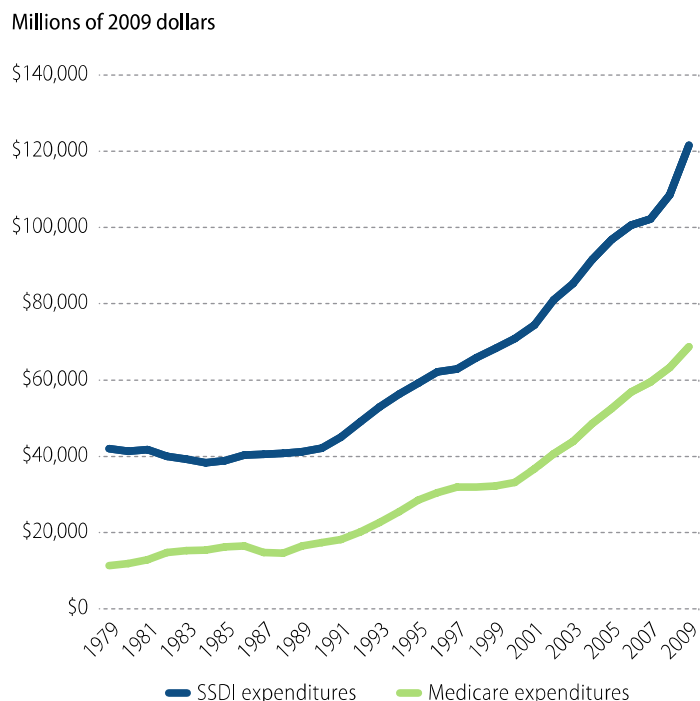
## Employment Gap between Adults with and without Disabilities: Growing

Employment gap: Men and women ages 40–59 with disabilities relative to those without disabilities, 1988–2008



## SSDI Program Expenditures: Growing

Real annual expenditures for SSDI Recipients, 1979-2009



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

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1. Support workers *while still working*: ≤ 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?

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- Harness existing capacity: Using private sector
  - 1/3<sup>rd</sup> 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?

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- 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

	1989	2009	Increase (%)
DI Payroll Tax	1.1 %	1.8 %	70 %
SSDI Payments	\$41 bil	\$122 bil	198 %
SSDI Share of Soc Security	10 %	18 %	80 %

# Who Would Benefit from Supporting Work?

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## 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