CORNELL UNIVERSITY

The Lewin Group

The Urban Institute

Rehabilitation Research and Training Center
for Economic Research on Employment
Policy for Persons with Disabilities

How Policy Variables Influence the Timing of Social Security Disability Insurance Applications

Richard V. Burkhauser
Department of Policy Analysis and Management
Cornell University

J.S. Butler
Department of Policy Analysis and Management
Cornell University

Robert R. Weathers II
Social Security Administration

Research Brief /January 2001

Introduction

Social Security Disability Insurance (SSDI) is the largest federal transfer program targeted on workers with disabilities. It dominates all other government programs aimed at this population. It replaces the earnings of those workers who, due to a health condition, are no longer able to perform any substantial gainful activity. Like all transfer programs triggered by lost earnings, SSDI may have the unintended consequence of discouraging work.

United States public policy toward people with disabilities took a major turn in the 1990s with the passage of the Americans with Disabilities Act of 1990 (ADA). It is the centerpiece of a new effort by government to keep people with disabilities in the workforce. Title I of the ADA requires employers to make reasonable accommodations for workers with disabilities unless this would cause undue hardship to the operation of business. One of the hopes underlying the ADA is that accommodation at the onset of a health condition will delay job exit and a subsequent move onto the disability rolls. While the onset of a health based work limitation will affect a worker's ability to remain on the job, it does not necessarily result in a swift and certain job exit and transition onto the disability rolls. The decision to leave the workforce and apply for SSDI benefits can be influenced both positively and negatively by policy variables. These two policy thrusts—SSDI transfers to replace lost earnings and accommodation to increase duration on the job—can send mixed signals to workers who experience the onset of a disability. Hence, understanding how such policies influence behavior for those who experience a disability is critical in developing policies that fully integrate people with disabilities into the workforce.

Influences of Policy Variables

Using retrospective data from the Health and Retirement Study (HRS) together with matching state level data on SSDI allowance rates and individual level Social Security administrative record data on the generosity of SSDI benefits, we estimate the relative importance of policy variables—employer accommodation as well as the relative value and likelihood of acceptance onto the SSDI program—on the timing of SSDI application following the onset of a disability. The results show that employer accommodation significantly slows a worker's application for SSDI benefits while easier access to SSDI benefits and more generous SSDI benefits increase the speed of application following the onset of a health condition.

Higher SSDI benefit levels increase the benefit received each year by workers during the post-application period and will lead to quicker SSDI application. A relatively high probability of acceptance is expected to increase the likely benefits received by workers each year during the post-application period and speed the time to application. We assume that the probability of a successful award by a worker is a function of the allowance rate for SSDI applicants in the worker's state of residence. Workers who live in states with relatively easy and porous screening processes have a higher probability of initial acceptance, and thus a higher expected yearly benefits in their post-application period will induce them to apply sooner than other workers. Because Social Security Administration guidelines for eligibility include medical as well as vocational criteria we also assume that those workers with health conditions that are more serious are more likely to be accepted, as are those whose vocational characteristics are weaker—poor education, older, manual laborers, etc.—and thus both are likely to apply more quickly.

Econometric Analysis

The Health and Retirement Study (HRS) is a longitudinal data set that tracks the behavior and economic well-being of a representative cohort of men and women born between 1931 and 1941 and their spouses through their retirement years. Three waves of data are now available. In 1992 (Wave 1), a total of 12,654 men and women from 7,607 households were asked detailed questions regarding their labor force participation, health status, family structure, disability status, wealth holdings, and income. These data were then match to restricted Social Security Administration records that contain a respondent's social security earning records.

In the first wave of the HRS, 1,280 men and 1,338 women report having an impairment or health problem that both limited the kind or amount of paid work they could perform and that they expected to last for at least three months. Of these, 848 men and 642 women said they were working for someone else (not self-employed) at the onset of this disability. Of these respondents, we use 577 men and 422 women in our analysis. Most of the final round of respondents were excluded because they experienced the onset of their disability prior to 1974, the first year we have information on state allowance rates.

The institutions workers face following the onset of a disability have a significant effect on the timing of their SSDI application. Using retrospective data from the HRS we find that Social Security policy variables—the state allowance rate and the size of one's SSDI benefit—significantly influence the speed to SSDI application following the onset of a disability.

Findings

With the aid of an econometric model, we find that higher state allowance rates increase the hazard of SSDI application. A 20 percent increase in state allowance rates at the mean value of all other variables would reduce male expected duration before application for SSDI benefits by 0.83 years, a decline from 10.45 to 9.62 years. The decline for women is even higher—from 10.99 to 9.52 years.

In that same hazard model we also find that those with larger disability benefits also have a significantly greater risk of SSDI application. A 20 percent increase in benefits would reduce expected duration prior to SSDI application for both men and women by over two years.

The Americans with Disabilities Act of 1990 was meant to increase the willingness of employers to provide accommodation to workers with disabilities. We find that workers who were accommodated following the onset of their disability had significantly lower risks of applying for SSDI benefits within the first three years of onset. When employer accommodations were included in our hazard model, we found they significantly reduced the risk of application. Universal employer accommodation would increase expected duration in employment of men by 3.13 years. For women, expected duration in employment would increase by 2.62 years.

Without question, the onset of a disability dramatically increases the risk of application for SSDI. But our results suggest most workers do not immediately apply for SSDI benefits—the median male did not apply for SSDI benefits until the seventh year following the point at which his health condition began to bother him. The median female did not apply until the eighth year following the onset of her disability. This does not mean that health has no influence on work or application for benefits. In fact, we find that even within our population with disabilities, the severity of one's health condition and the type of health condition influence the speed to application. We find those with multiple conditions apply significantly sooner. We also find that those with musculoskeletal conditions are significantly slower to apply than those with other conditions. But we find that economic and demographic variables also significantly influence application speed. Those workers with higher earnings and those who live in states with a lower unemployment rate, those with more years of education, as well as those who were younger at onset and who are non-black are all slower to apply for benefits.

Conclusion

From a public policy perspective, policy variables significantly influence the speed to application for SSDI benefits. Our findings suggest that moving toward pro-work policies that, for instance, encourage greater employer accommodation following the onset of a disability or away from policies that make SSDI easier to obtain and more valuable to receive, would significantly slow the speed to SSDI application, retaining workers longer in the workforce.

A copy of the full report of this research is available on the Cornell University RRTC Web site, http://www.ilr.cornell.edu/ped/rrtc/.

For further information about the Cornell RRTC contact:

Susanne Bruyère, Ph.D.
Project Director

Cornell University
106 ILR Extension Building
Ithaca, NY 14853-3901

tel (607) 255-7727
fax (607) 255-2763
TDD (607) 255-2891
e-mail smb23@cornell.edu
web www.ilr.cornell.edu/rrtc

This paper is being distributed by the Rehabilitation Research and Training Center for Economic Research on Employment Policy for Persons with Disabilities at Cornell University.

This center is funded to Cornell University, in collaboration with The Lewin Group (Falls Church, VA), and the Urban Institute (Washington, D.C.) by the U.S. Department of Education, National Institute on Disability and Rehabilitation Research (*Grant No. H133B980038)*.

This research and training effort is an across college effort at Cornell University between the Program on Employment and Disability in the Extension Division of the School of Industrial and Labor Relations and the Department of Policy Analysis and Management in the College of Human Ecology. The Lewin Group is an internationally recognized research and consulting firm specializing in health and human services policy and management. The Urban Institute is a non-profit policy research organization which focuses on efforts to solve society's problems, improve government decisions and their implementation, and increase citizens' awareness about important public choices.

The Co-Principal Investigators are:

Susanne M. Bruyère—*Director, Program on Employment and Disability, ILR Extension, Cornell University*

Richard V. Burkhauser—*Sarah Gibson Blanding Professor and Chair, Department of Policy Analysis and Management, College of Human Ecology, Cornell University*

David C. Stapleton—*Director, Cornell Center for Policy Research, Cornell University*

Funding to support the research presented in this paper has come from the National Institute for Aging, Program Project #1-PO1-AG09742-01, "The Well-Being of the Elderly in a Comparative Context" and from the United States Department of Education National Institute on Disability and Rehabilitation Research for an RRTC for Economic Research on Employment Policy for Persons with Disabilities (Grant Number H133B980038).