Cornell University
ILR School

ILRReview

Volume 57 | Number 4 Article 90

July 2004

The Decline in Employment of People with Disabilities: A Policy Puzzle

David C. Stapleton

Richard V. Burkhauser

Follow this and additional works at: http://digitalcommons.ilr.cornell.edu/ilrreview

The Decline in Employment of People with Disabilities: A Policy Puzzle

This book review is available in ILRReview: http://digitalcommons.ilr.cornell.edu/ilrreview/vol57/iss4/90

cultural transformations in which society assimilated individualism, consumption, and social Darwinism, values that differed radically from those of earlier periods of American history and other eras of industrial development. As Doukas puts it, "The consolidation of corporate capitalism produced a decades-long cultural war of titanic proportions, played on local battlefields across the United States." The book provides a wealth of local history supportive of that generalization, even if it offers little new theoretical insight.

In her concluding chapter, aptly titled "Wealth vs. Commonwealth," the author considers the current political context. Whereas others see hopelessness and apathy within many working-class communities, Doukas finds the roots of democratic values and strength in the working-class resistance to corporate enculturation. In many ways, these values also transcend the typical political analysis. Rejecting both reactionary and socialist politics, working-class culture "envisions universal autonomy, universal social and political adulthood, without slaves or masters—the original American dream." That is, the working class mistrusts not only those across the class divide, but also those who seemingly advance their interests in the name of the working class.

In her study of the Mohawk Valley, Doukas provides a powerful example of the type of synergy championed by new working-class studies. *Worked Over* uses ethnography, history, and geography to study working-class life and culture. This book adds force to the claim by geographers Don Mitchell and Andrew Herod that conflict shapes not only the landscape, but also community values.

Working-class community struggles of the kind examined in *Worked Over* warrant close attention in current political and economic debates. Analysts and (especially in an election year) politicians will ignore such phenomena only at their peril.

John Russo

Co-Director
Center for Working-Class Studies
Youngstown State University

Labor Economics

The Decline in Employment of People with Disabilities: A Policy Puzzle. Edited by David C. Stapleton and Richard V. Burkhauser. Kalamazoo, Mich.: Upjohn Institute for Employment Research, 2003. 448 pp. ISBN 0-88099-260-3, $45.00 (cloth); 0-88099-259-X, $22.00 (paper).

Coinciding with the passage of the Americans with Disabilities Act (ADA) in 1990 and the 1991 ("Bush Senior") recession was the onset of a precipitous decline in the employment rate of American adults with disabilities, which dropped 28% among men and 14% among women between 1989 and 2000. These trends galvanized a vigorous debate among economists, disability professionals, legal scholars, and policy-makers attempting to identify their cause. The fruits of that debate are collected and distilled in *The Decline in Employment of People with Disabilities,* edited by David Stapleton and Richard Burkhauser. This carefully edited and enjoyably contentious volume presents, and occasionally debunks, the major arguments advanced to explain the declining employment of the working-age disabled in the 1990s.

Five hypotheses are presented here, often by their leading exponents: (1) mismeasurement of the disabled population led to spurious trends in disabled employment; (2) changing job characteristics, such as rising cognitive or physical skill demands or declining provision of health insurance, reduced job options for the disabled; (3) the underlying health of the adult population abruptly deteriorated; (4) the Americans with Disabilities Act raised the cost of hiring disabled workers, thereby pricing them out of the market; and (5) screening for Social Security Disability Insurance (SSDI) benefits was liberalized as the value of SSDI benefits was rising, leading the working-age disabled to withdraw from the labor force.

Though the contributors to this volume disagree on much, the book's logical organization and the excellent opening and closing chapters by Stapleton and Burkhauser highlight the common ground. Working from numerous data sources, all the researchers concur that aggregate employment of the working-age disabled declined. However, as the chapter by H. Stephen Kaye highlights, employment rose among the subpopulation of disabled who reported that they were "able to work." How this fact should be understood is at the heart of one major debate in the volume. Two chapters, one by David Stapleton, Nanette Goodman, and Andrew Houtenville, the other by Steven Hill, Gina Livermore, and Andrew Houtenville, evaluate and ultimately reject the hypotheses that

adverse shifts in job characteristics or reductions in employer-provided health insurance substantially curtailed employment opportunities for the disabled. These conclusions leave three of five hypotheses standing: those focusing on health shocks, the ADA, and the Social Security Disability program.

The chapter by H. Stephen Kaye is in some sense the most remarkable in this volume. Based on a thorough, data-driven analysis of trends in employment, unemployment, and health among the working-age disabled, Kaye's chapter draws a conclusion that many analysts will find unsupportable; certainly the editors, in the final chapter, reject it. Marshaling a series of striking figures, Kaye shows that a rise in self-reported chronic conditions neatly paralleled the rise in unemployment duration for the overall population from 1988 to 1997. This is what one would expect if adverse labor market shocks drove job-losers and frustrated job-seekers to report themselves unable to work so as to increase the chance of qualifying for SSDI benefits. Kaye disagrees with that explanation, however. He argues instead that the rises in self-reported chronic disorders, obesity, and depression during the 1990s recession, though originating in the labor market, were real and permanent consequences of "economic distress," which ultimately reduced the capacity of the disabled to return to work after the recession. Though much about this hypothesis appears implausible to me, the evidence that weighs most heavily against it is that employment of the disabled has not, to my knowledge, suffered permanent dips after previous recessions. In fact, the chapter by Nanette Goodman and Timothy Waidmann shows that the employment of the disabled was highly procyclical prior to the 1990s, rising substantially, for example, at the end of the early 1980s recession.

If job characteristics and health shocks are not the explanation for declining disabled employment, public policy may be the residual claimant. Drawing on research by himself and by Daron Acemoglu and Joshua Angrist (*Journal of Political Economy,* October 2001), Thomas DeLeire argues that the Americans with Disabilities Act ultimately harmed its intended beneficiaries. He begins by observing that the ADA contains both implicit hiring costs and hiring subsidies. On the cost side, the ADA mandates that employers make unspecified, and sometimes expensive, "accommodations" for disabled employees. Moreover, the ADA opens the possibility of civil rights litigation if disabled workers are terminated. Both provisions increase the expected cost of hiring disabled workers. Conversely, the ADA permits disabled job applicants to sue for civil rights violations if they are passed over for employment. Ironically, this serves as a hiring subsidy, since not hiring a disabled applicant incurs a potential litigation cost. Because of these countervailing incentives, theory does not sign the net effect of the ADA on disabled employment.

The empirical case implicating the ADA in the declining employment of disabled Americans rests on three observations. First, the commencement of the employment decline among the working-age disabled is nearly contemporaneous with the ADA, though different data sources date the decline either at passage of the ADA in 1990 or at its implementation in 1992. Since it is not clear which date (passage or implementation) is the "right one" to trigger a market response, this leaves an uncomfortable cushion of ambiguity. Second, employment declines for the disabled were larger in medium-sized firms than in small firms. Since small firms are not bound by the ADA, this is consistent with the law having "bite" in the right places. Finally, even when researchers focus only on those disabled who did not receive SSDI benefits, they still find employment declines, suggesting that there is not a simple mechanical substitution from rising SSDI rolls to declining disabled employment.

A fourth fact, not discussed by DeLeire but relevant to the debate, is found in a recent paper by Christine Jolls and J. J. Prescott (mimeograph, Harvard Law School, 2004). Comparing groups of states that did and did not have preexisting state-level disability laws prior to passage of the ADA, Jolls and Prescott show that disabled employment differentially declined in states where the ADA imposed a new mandate. This finding appears highly supportive of the ADA explanation. However, Jolls and Prescott also show that disabled employment rebounded in the states with new mandates in the few years following passage. This suggests that the ADA is unlikely to be a complete explanation for adverse trends in disabled employment throughout the 1990s.

The chapter by Goodman and Waidmann makes the case that the culprit for declining disabled employment lies not on the labor demand side but on the benefits supply side. Using four decades of employment and SSDI claimant data, Goodman and Waidmann show that SSDI applications, and ultimately the size of the disability rolls, are strikingly elastic with respect to program generosity. Since SSDI beneficia-

ries, and those applying to become beneficiaries, forgo benefits or the possibility of receiving them by participating in the labor market, an SSDI program expansion (an increase in benefits or a reduction in screening stringency) will typically raise self-reported disability and reduce disabled employment.

Goodman and Waidmann argue forcefully that exactly such a profound, and largely unintended, SSDI expansion was under way during the 1990s: the value of SSDI cash and Medicare benefits rose relative to potential labor market earnings of SSDI recipients; SSDI award rates (that is, the share of applicants awarded benefits) failed to decline even as application rates increased alarmingly; and a growing fraction of SSDI awards went to claimants with hard-to-screen ailments, such as back pain and mental disorders. This constellation of facts suggests that the SSDI program accommodated—and most likely encouraged—a large-scale withdrawal of the working-age disabled from the labor market. As DeLeire and others note, however, a rise in SSDI rolls is not incompatible with a role for the ADA. If the ADA reduced opportunities for disabled job applicants, this would certainly encourage disabled Americans to seek benefits in lieu of jobs.

Policy-makers and researchers may draw their own conclusions about the relative importance of the ADA and SSDI, but there are few readers of this volume who will not come away edified. Because the major viewpoints in the disability debate are living under one book jacket—and under the editorial gaze of Stapleton and Burkhauser—no author in this volume is allowed to "talk past" the others. In fact, each appears to be writing with all other chapters in hand, which leads to a highly focused discussion of the "policy puzzle" named by the book's title. And as Stapleton and Burkhauser's valuable final chapter underscores, the phrase "policy puzzle" is apt. The plummeting employment of the working-age disabled during the 1990s was not an inevitable consequence of a changing labor market. Rather, it appears to have been a direct result of public policy—well-intended policy to be sure, but also surely unsuccessful policy. Understanding what policies generated this outcome, and amending them accordingly, is a high priority for research.

David Autor

Pentti J.K. Kouri Associate Professor,
Department of Economics, M.I.T.
Faculty Research Fellow,
National Bureau of Economic Research

Imports, Exports, and Jobs: What Does Trade Mean for Employment and Job Loss? By Lori G. Kletzer. Kalamazoo, Mich.: W.E. Upjohn Institute for Employment Research, 2002. 221 pp. ISBN 0-88099-248-4, $36.00 (cloth); 0-88099-247-6, $16.00 (paper).

This book joins the ongoing debate concerning the link between trade and the labor market in the United States. In methodology, econometric techniques, and reasoning, Lori Kletzer's study is similar to the work of labor economists during the 1980s and 1990s. Using inter-industry data for the years 1979–94, the author tests a simple theory based on decomposition of demand in a partial equilibrium framework. The book offers, in effect, an excellent summary of almost all that was said or done on this subject by labor economists over a two-decade period. The parallelism extends beyond methodology and data, too: like most prior researchers, Kletzer finds that international trade had only a weak impact on net employment.

To set the scene, Kletzer starts out by briefly explicating the main theoretical arguments underlying the debate and surveying the empirical literature. Then, to better prepare readers for her own econometric study, which uses a variety of explanatory variables and different estimation methods, she provides a simple but detailed descriptive overview.

Although most of Kletzer's study, consistent with its close adherence to previous research, concerns net flows of trade and employment, perhaps its most interesting part is the author's analysis of gross flows. In particular, her close examination of the gross job loss due to imports exposes how cold and misleading is the usual conclusion that because trade creates as many jobs as it destroys, it does not induce job losses. As she states on page 101, "The addition of job displacement to the literature's traditional focus on net employment changes allows a focus on 'real' job loss, the type of event that happens to 'real' workers." The rather low overall impact of imports on employment, Kletzer argues—lower than the employment gains from exports—must be weighed against the substantial job losses imports have apparently occasioned in certain specific sectors, such as textiles and apparel.

From the beginning, Kletzer registers full awareness of the limitations of her analysis, and she advises caution in interpreting the results: "The empirical analysis should not be taken as causal" (p. 104). The reason the theoretical