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RESEARCH

The Effect of SSDI on Employment

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Based on joint work with Kathleen Mullen (RAND), Alexander Strand (SSA), David Autor (MIT), and Matt Hill (RAND)

Social Security Disability Insurance: The Time for Reform?
A Social Security Advisory Board Forum
Reserve Officer's Association on Capitol Hill, Washington, D.C.

March 8, 2013

The Rise of SSDI and the Decline in Employment of the Disabled

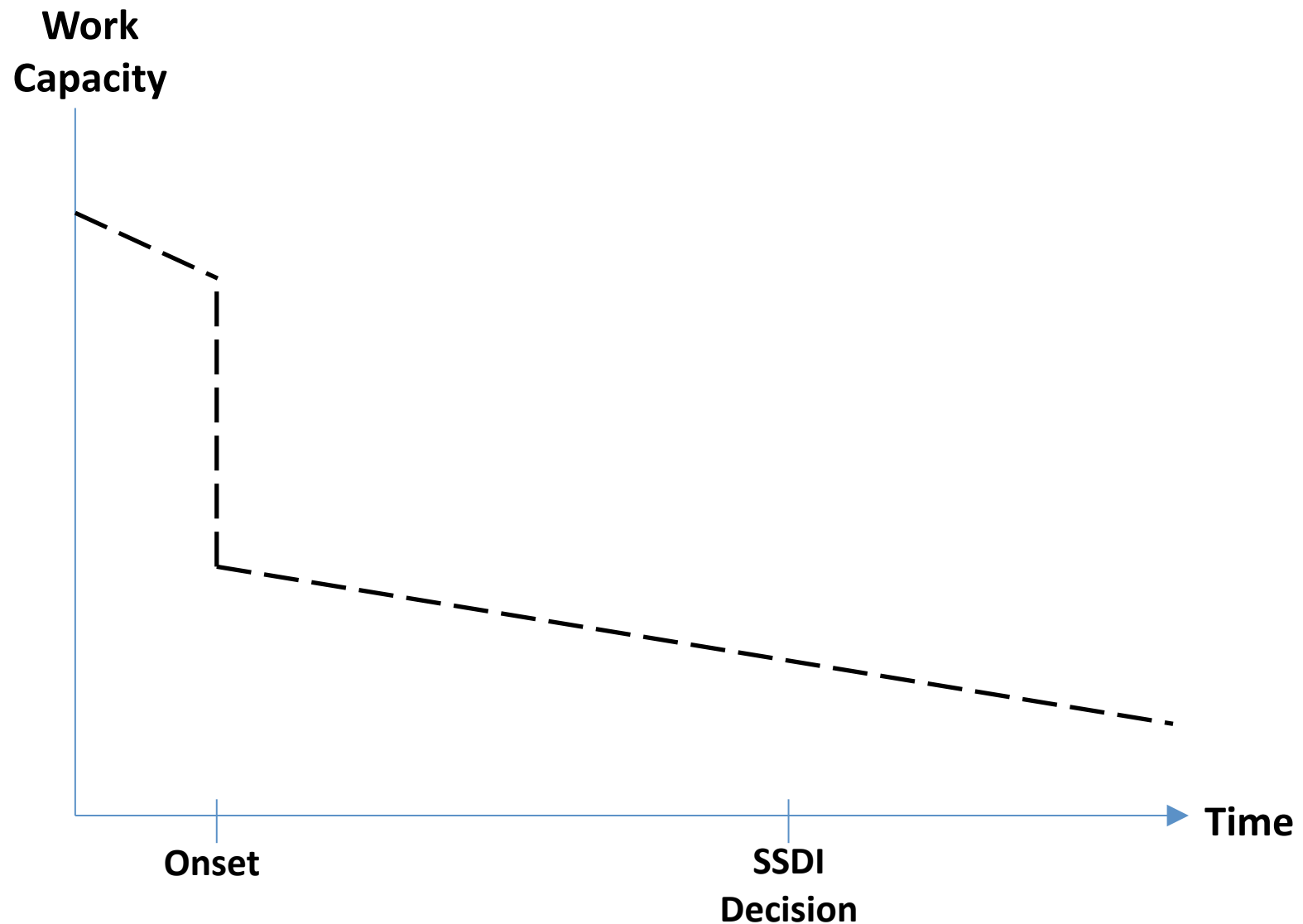


Source: Authors' tabulations of Current Population Survey; Annual Statistical Report on the Social Security Disability Insurance Program, 2010, Table 3.

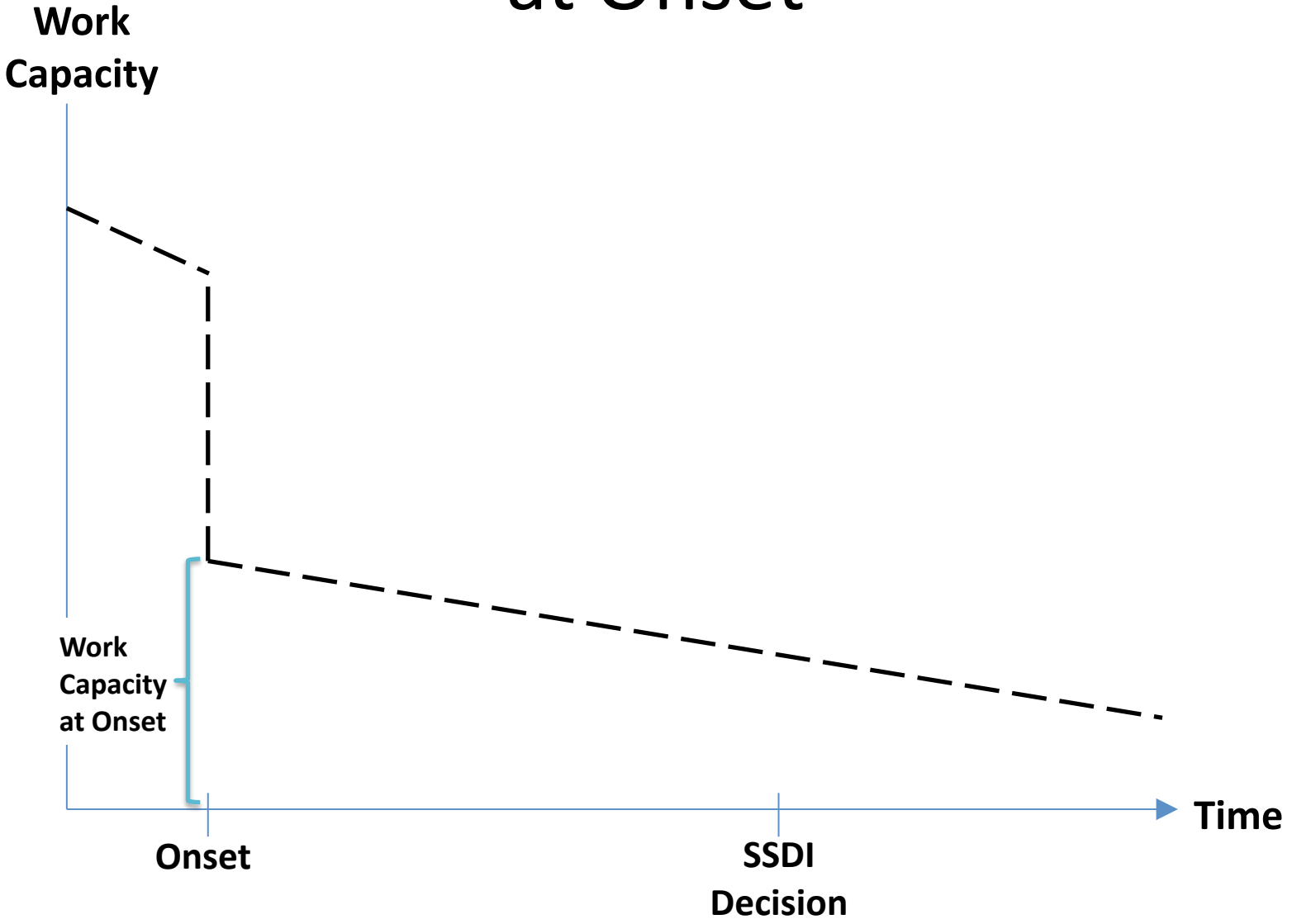
A Model of How SSDI Affects Employment



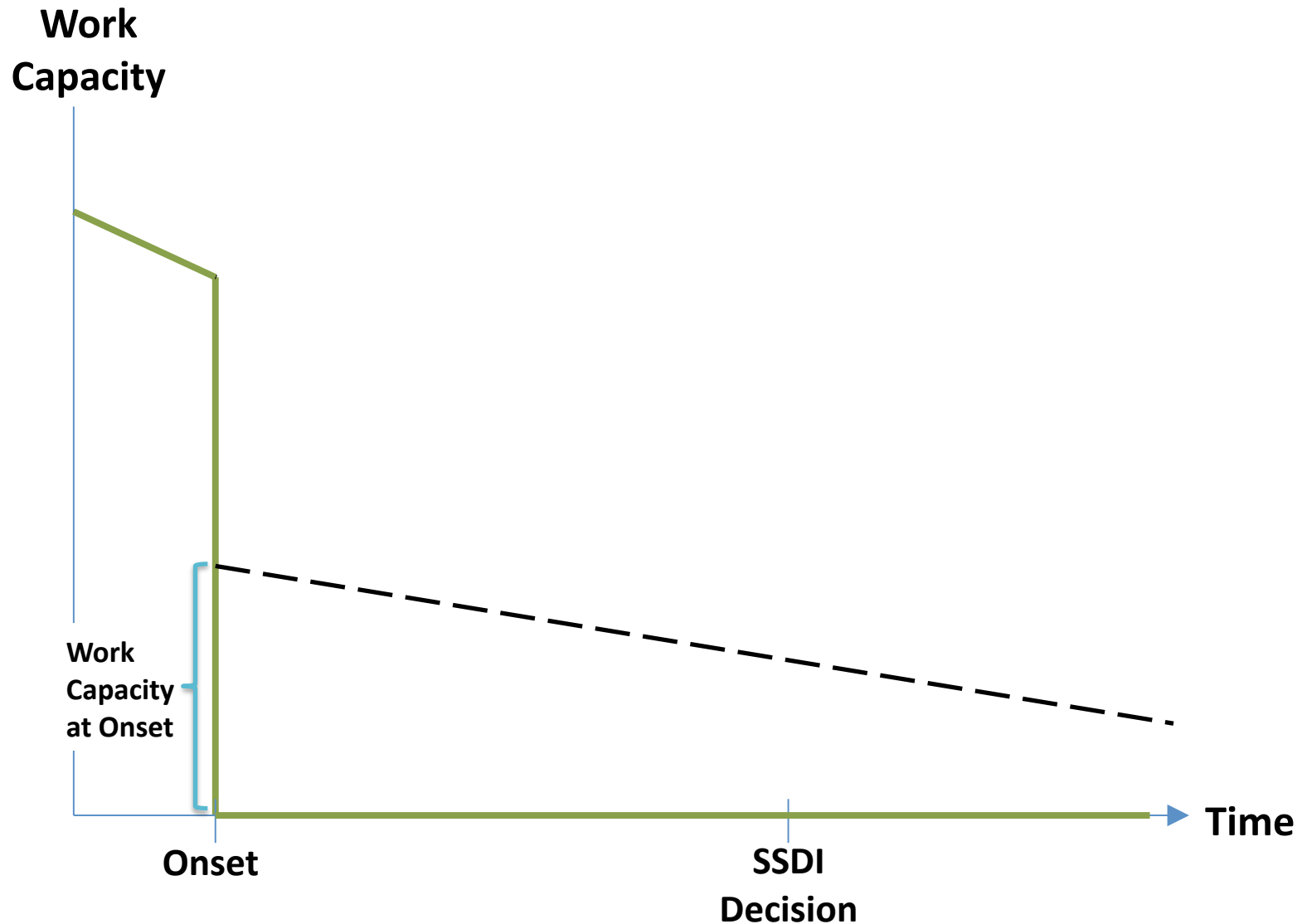
Work Capacity Drops at Onset



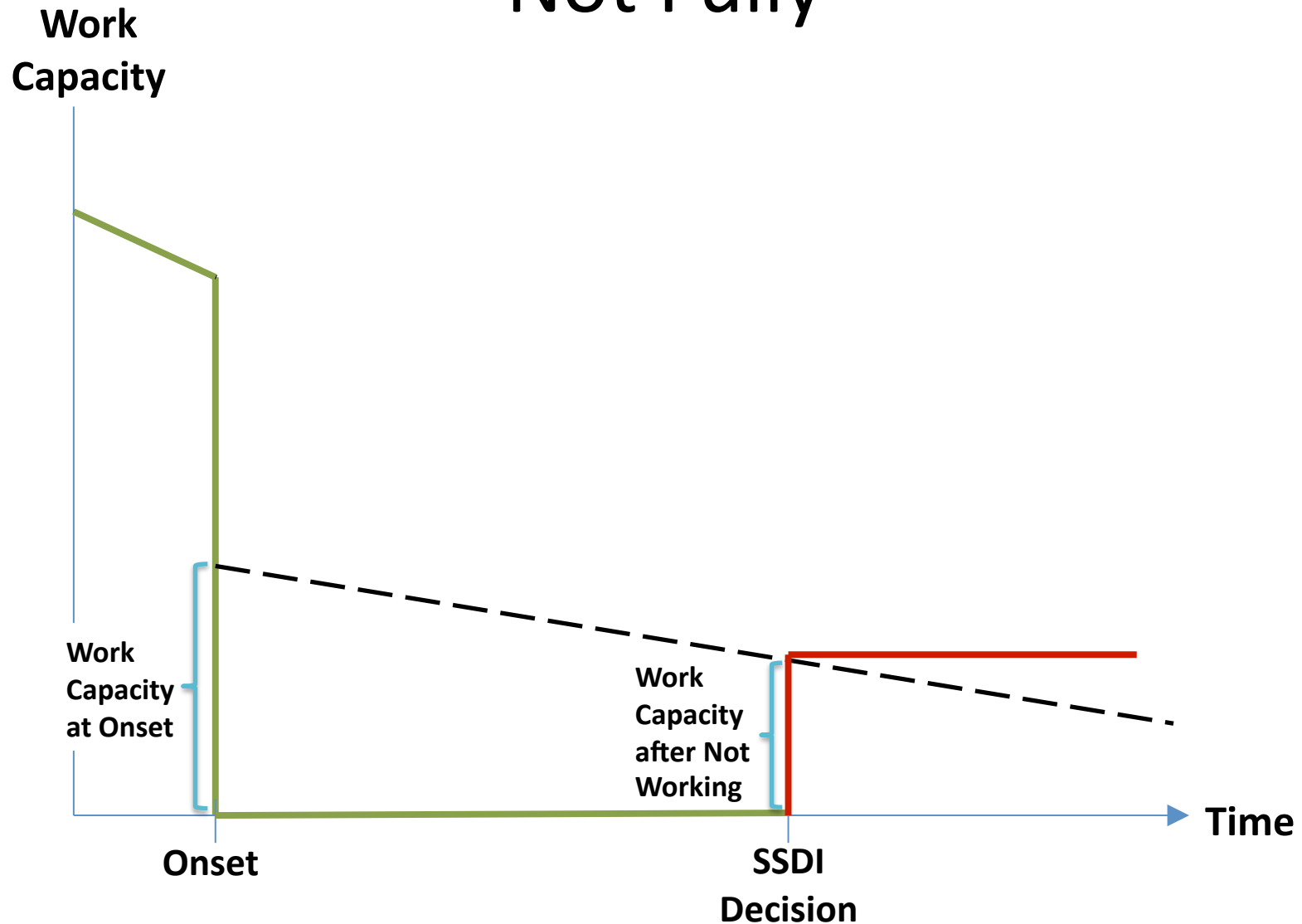
SSDI Aims to Measure Work Capacity at Onset



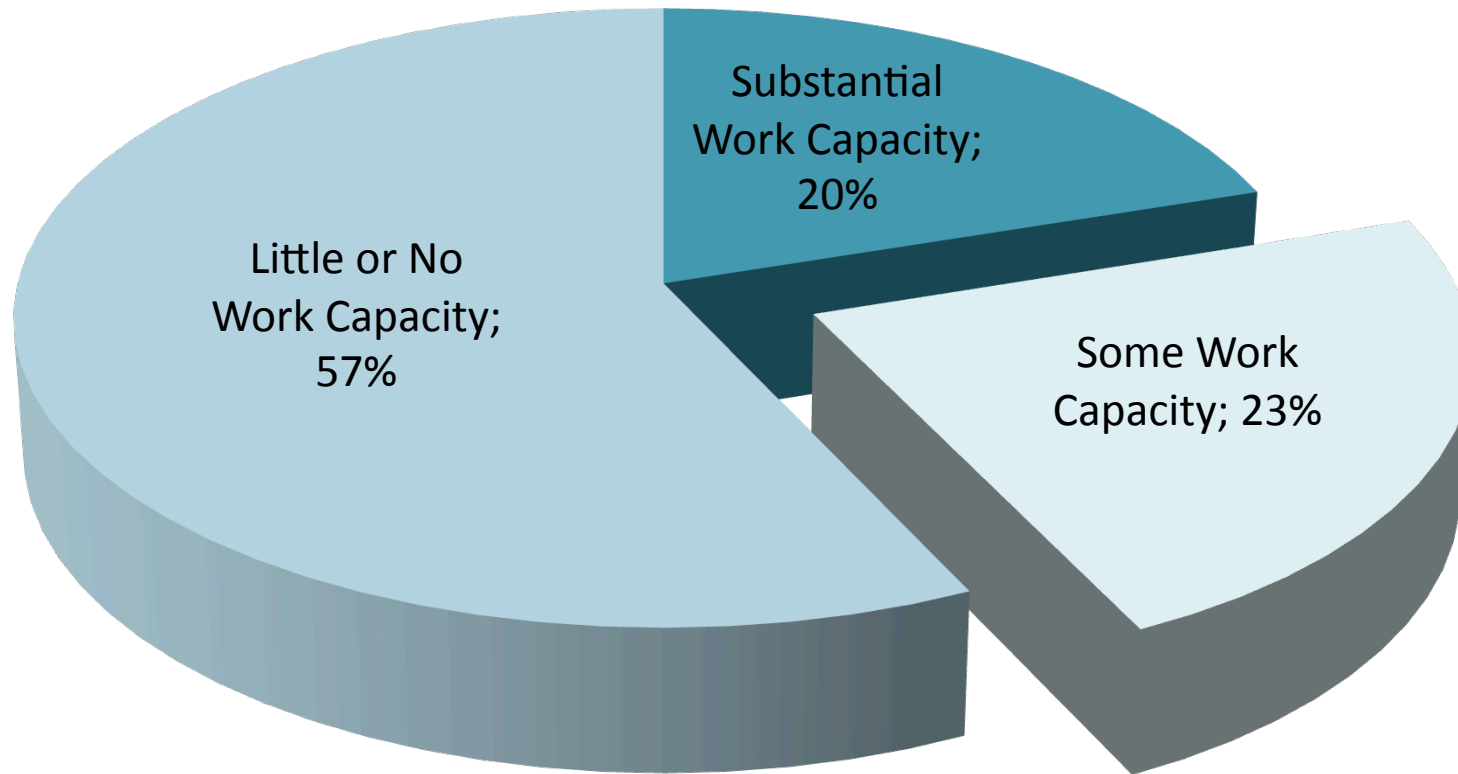
Labor Supply Stays Low if Allowed SSDI



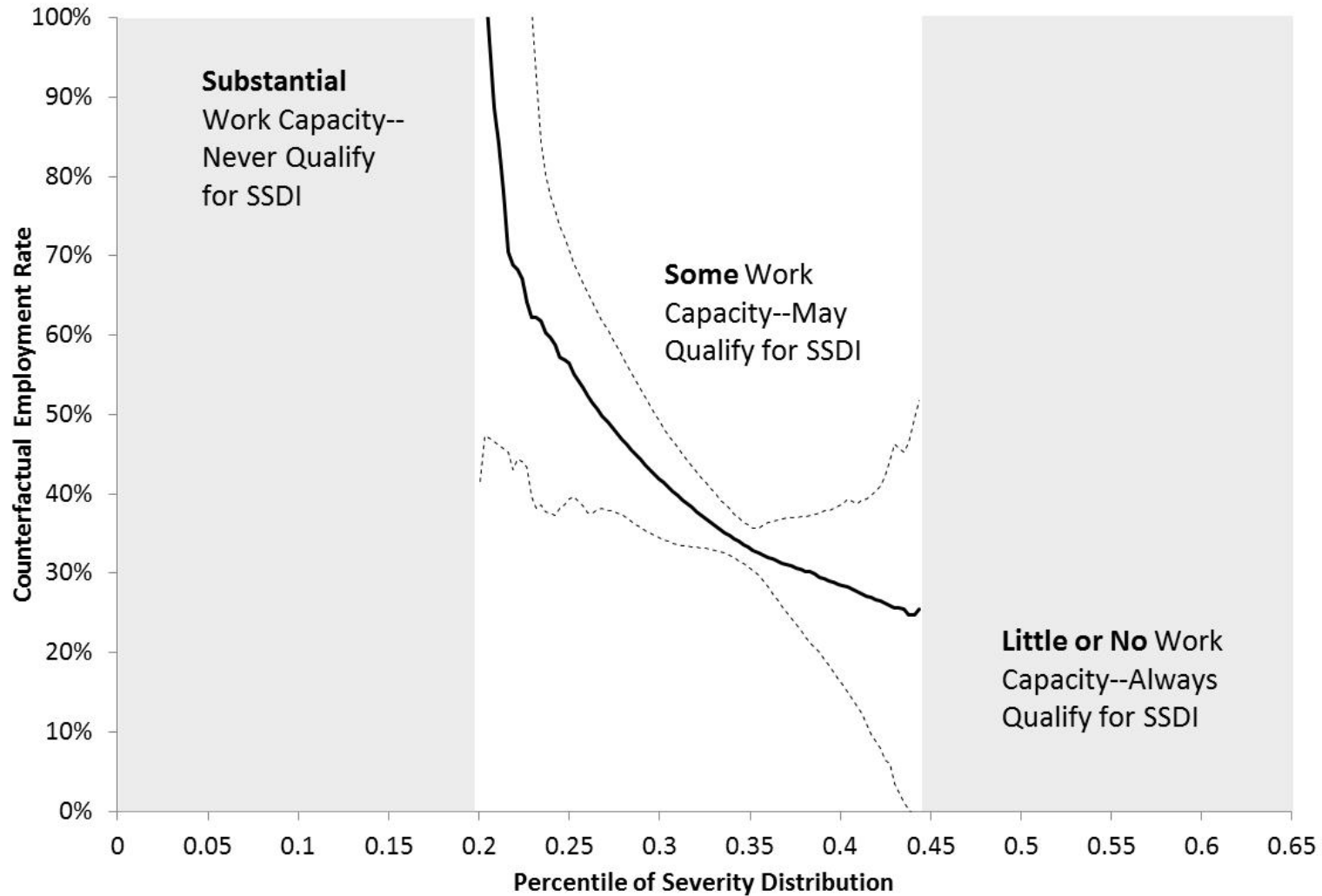
Labor Supply Rebounds if Denied, but Not Fully



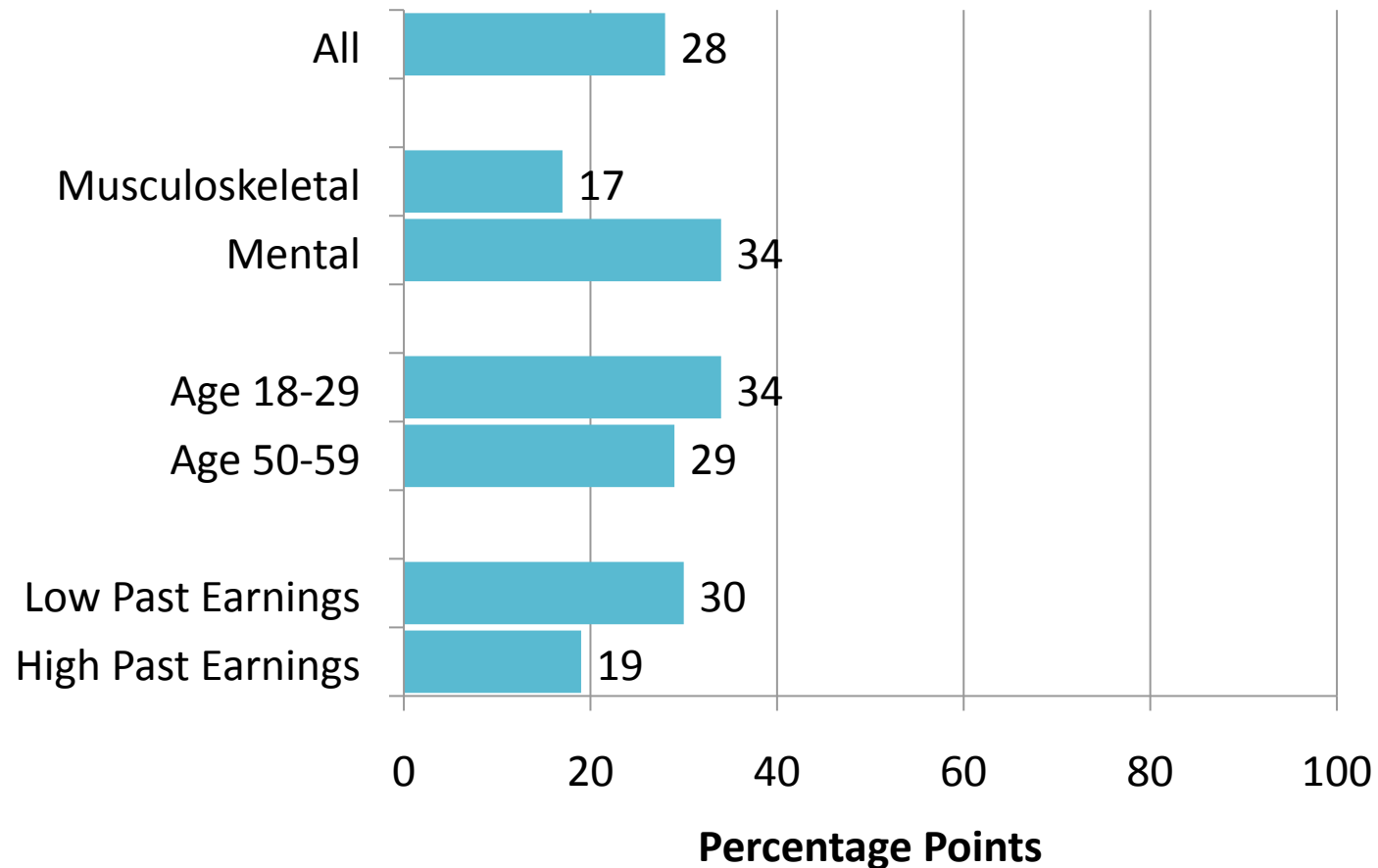
Not All Applicants Have Remaining Work Capacity



Unrealized Work Capacity Declines as Impairment Severity Rises



Unrealized Work Capacity Highest for Young, Low Earners, and Mental Impairments



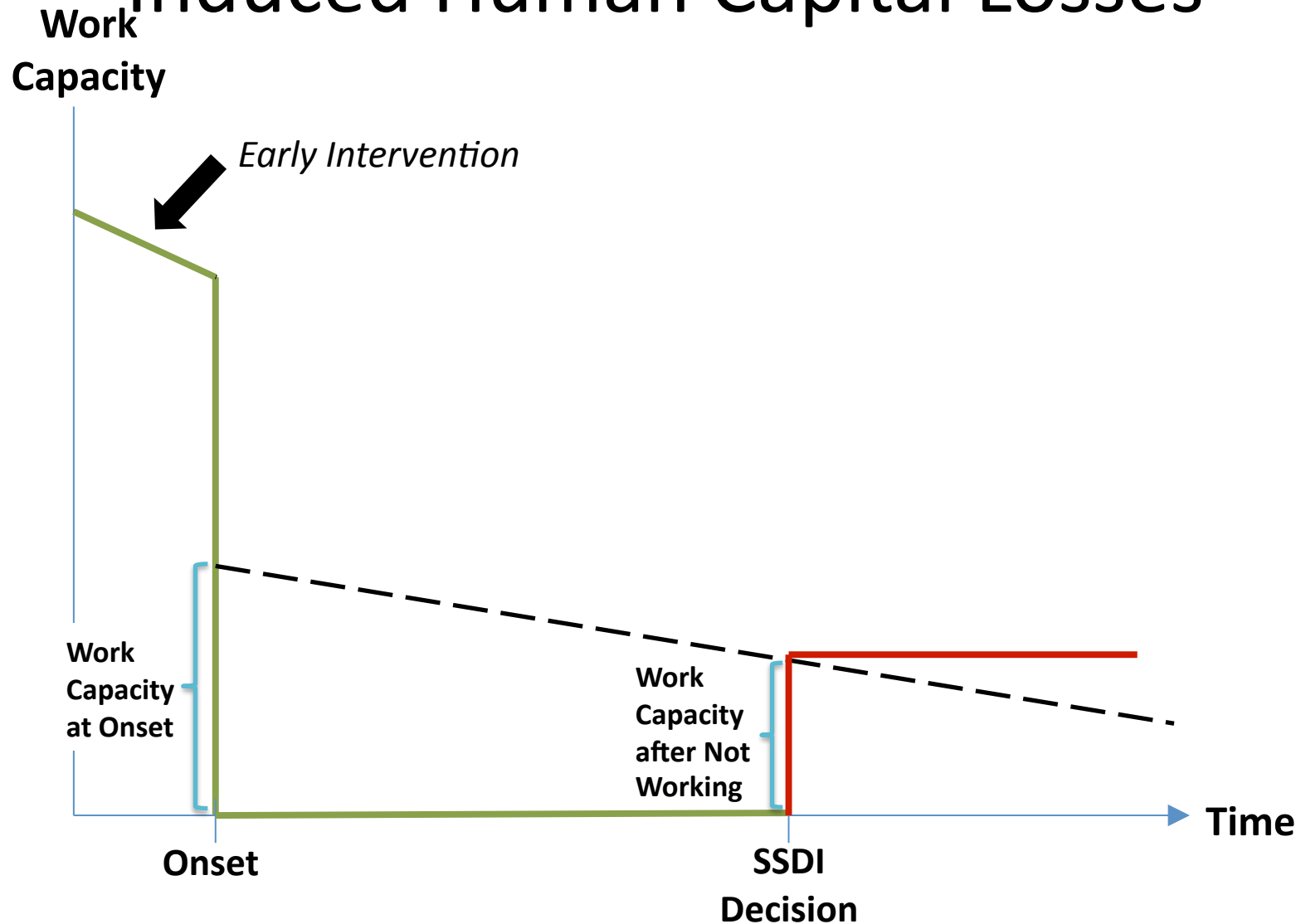
Benefit Receipt Reduces Employment Substantially for Some

- SSDI causes substantial reduction in employment among beneficiaries with some work capacity
 - 28 pp reduction in employment
 - 19 pp reduction in employment above SGA
- But had they not received benefits, average earnings would only be \$3,800 more per year
 - **Less than half** of pre-disability earnings

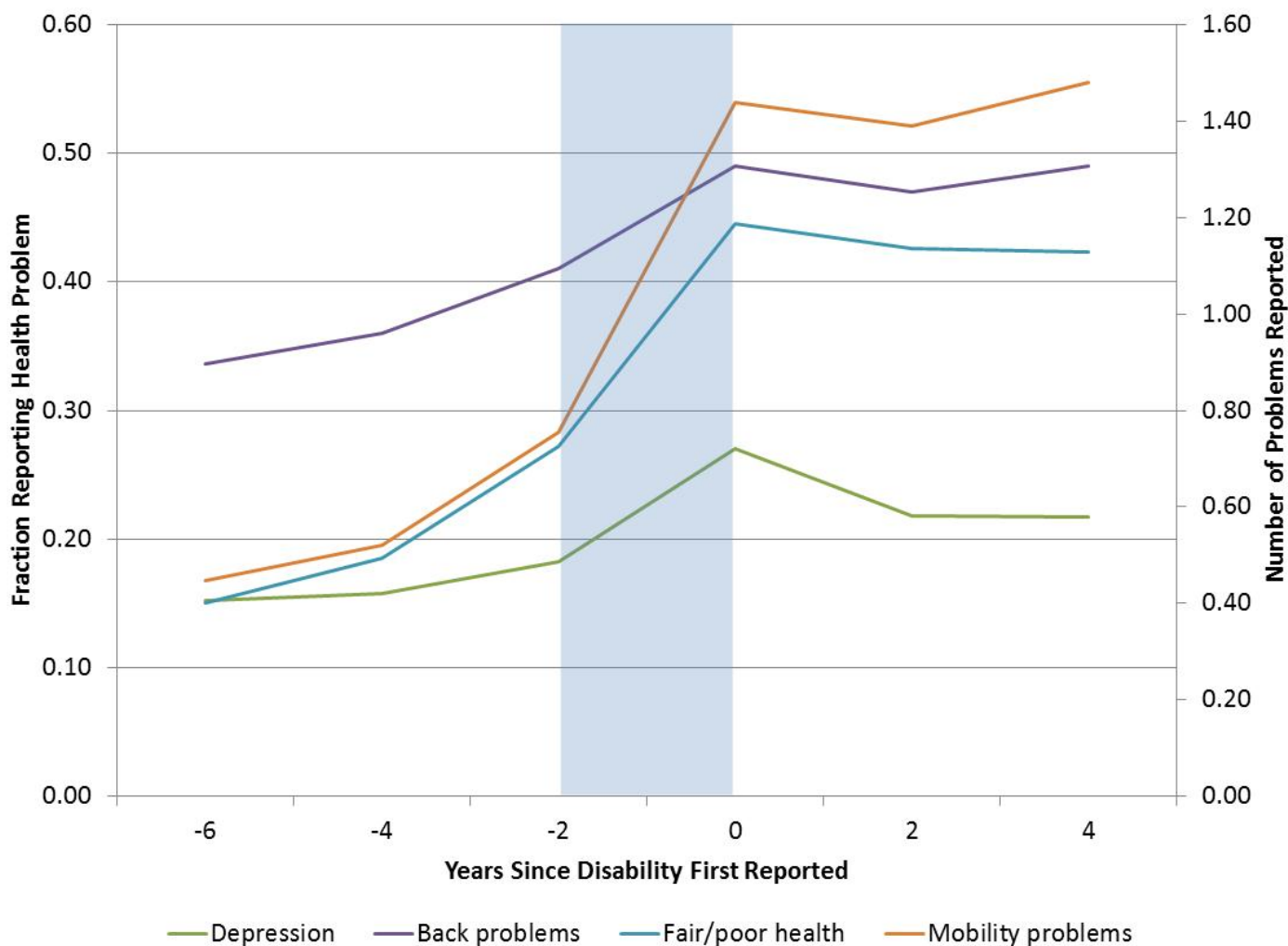
Long SSDI Application Processing Times Also Erode Work Capacity

	All	Initial Stage Only	Initial Plus Appeals
Total Processing Time	12.7 months	4 months	24 months
Estimated Loss of Work Capacity Due to SSDI Processing Time	4 pp	1 pp	7 pp

Early Intervention Could Avoid SSDI-Induced Human Capital Losses

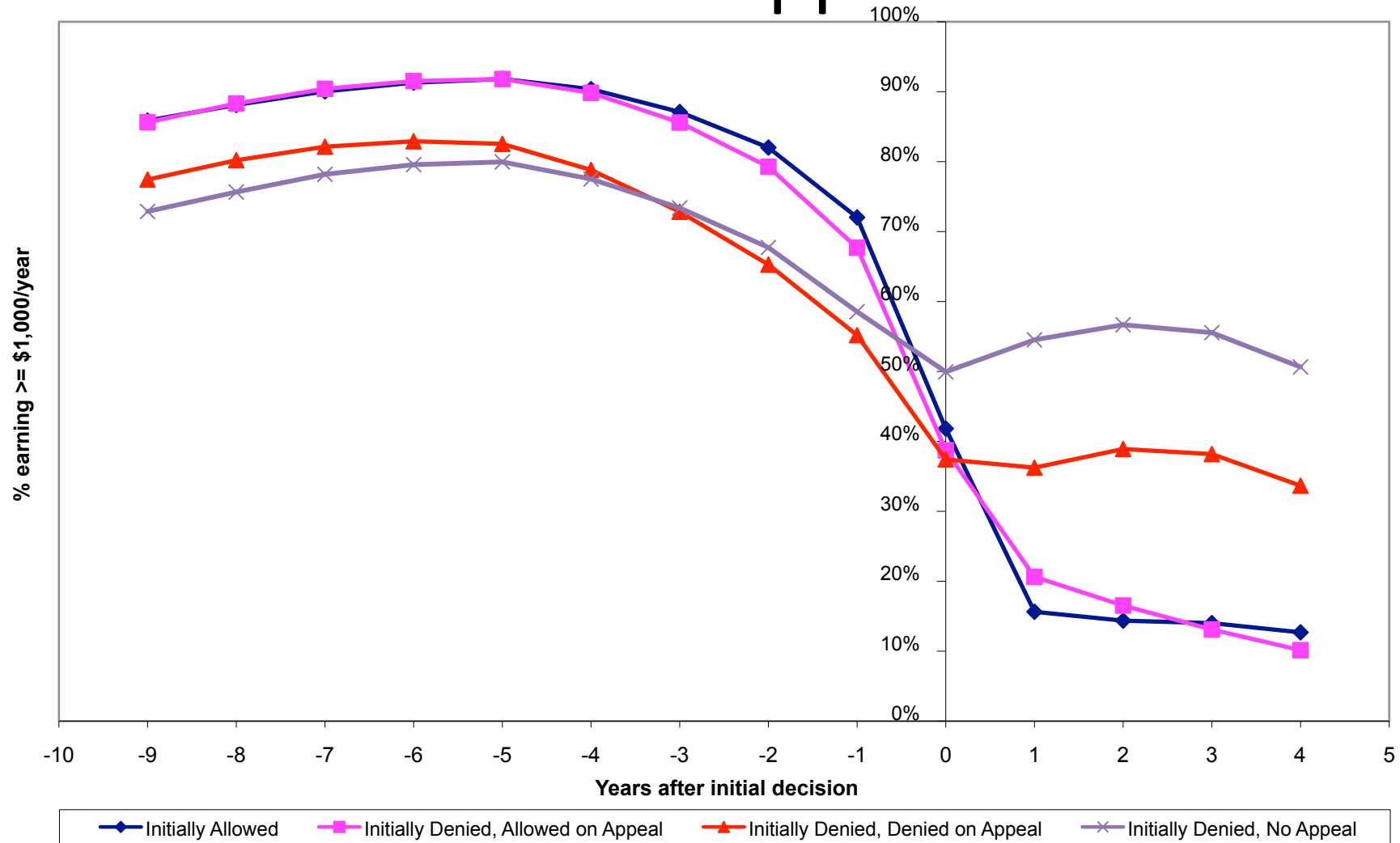


Health Problems Begin to Increase 5 Years before Disability Onset



Source: Hill, Maestas and Mullen, work in progress, tabulations from Health and Retirement Study

Employment Begins to Decline 5 Years before SSDI Application



Source: Maestas, Mullen and Strand, forthcoming, *American Economic Review*

Links to Background Material

RAND Center for Disability Research Website

<http://www.rand.org/labor/centers/cdr.html>

Link to article by Nicole Maestas, Kathleen J. Mullen and Alexander Strand, “Do Disability Benefits Discourage Work?” forthcoming in *American Economic Review*

http://www.rand.org/pubs/working_papers/WR853-3.html

Congressional Testimony by Nicole Maestas on Securing the Future of the Social Security Disability Insurance Program

<http://www.rand.org/pubs/testimonies/CT373.html>



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