

Modernizing the SSDI Eligibility Criteria: Trends in Demographics and Labor Markets Affecting Workers in the “Grid”

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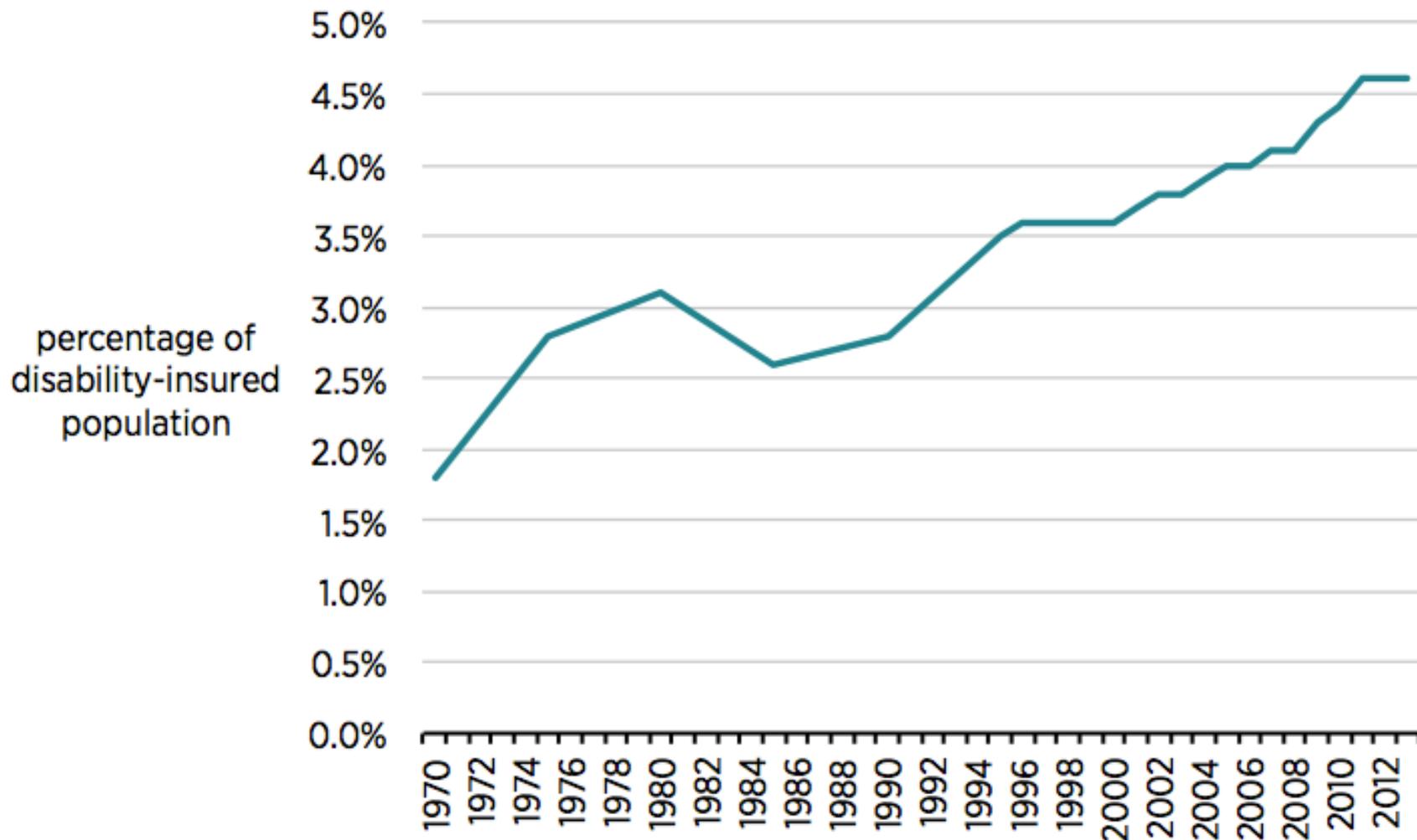
Background

- Social Security Disability Insurance program outlays have increased rapidly, roughly doubling in real terms over the past fifteen years.
- Participation in program (as % of labor-force) has doubled over the past twenty years.
- Determining the cause of this rapid rate of growth is essential for setting the program on a sustainable, long-term responsible path.

Disability and Workforce Composition

- The increased take-up of disability benefits amongst insured population may seem intuitive with aging workforce.
- But Burkhauser et al (2014) and Kaye (2013) have shown that actual workforce and elderly disability prevalence rates have remained flat or fallen over past four decades.
- Moreover, even after adjusting for long-expected changes in age and gender composition of the labor force, program take-up has increased significantly in recent years.

Age- and Gender-Adjusted Prevalence of Disability Insurance Benefits, 1970–2013

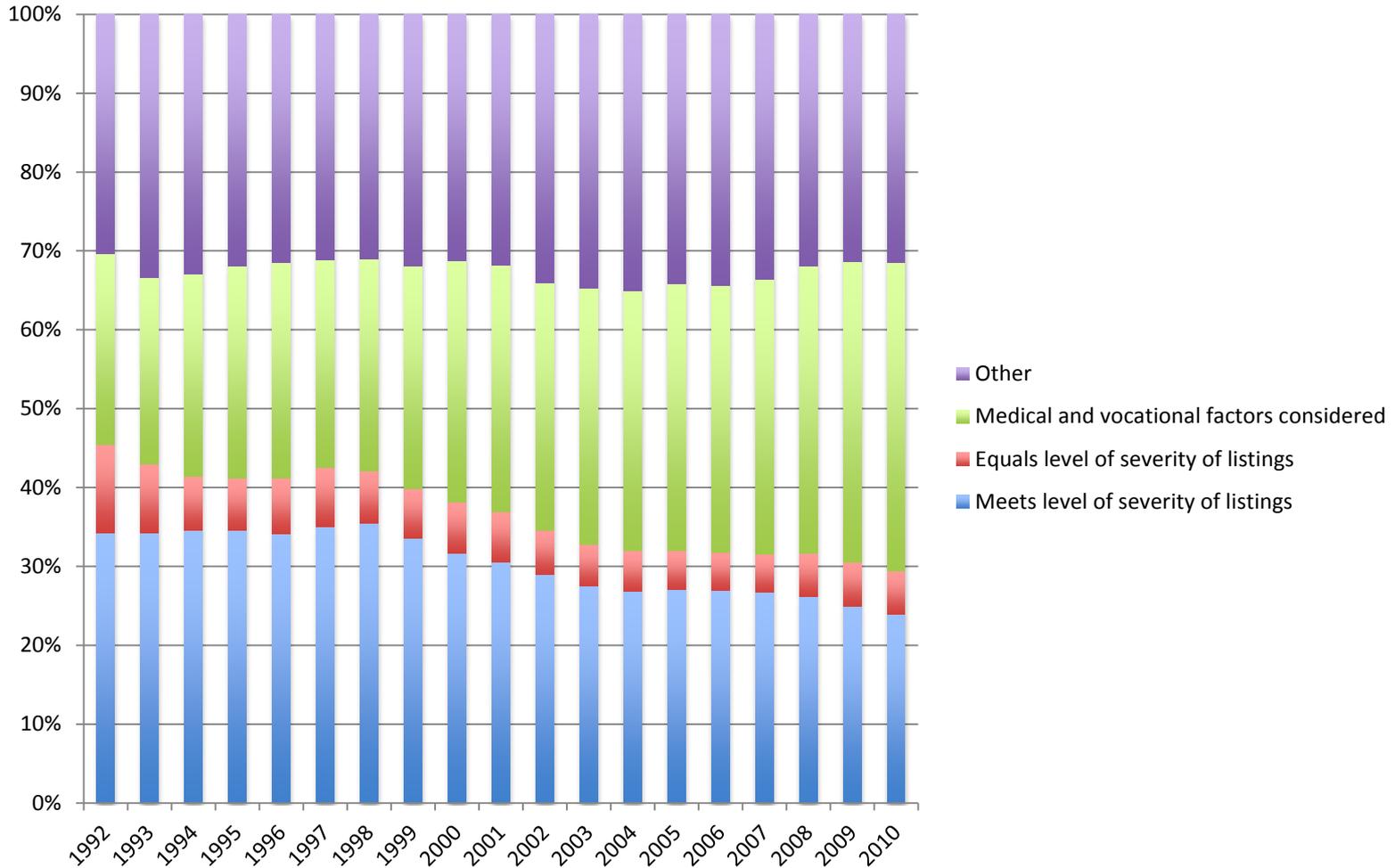


Source: Annual Social Security Trustees' Reports.

Vocational Grid

- Over time, a greater percentage of awards have been decided with consideration of vocational factors: age, education (including language ability), and experience.
- In the context of award process, this means that a growing percentage of claims are awarded at step five, the “vocational grid.”
- A growing percentage of awardees do not have conditions in the listing of Impairments (or of equal severity); vocational consideration allows for lesser severity of disability.

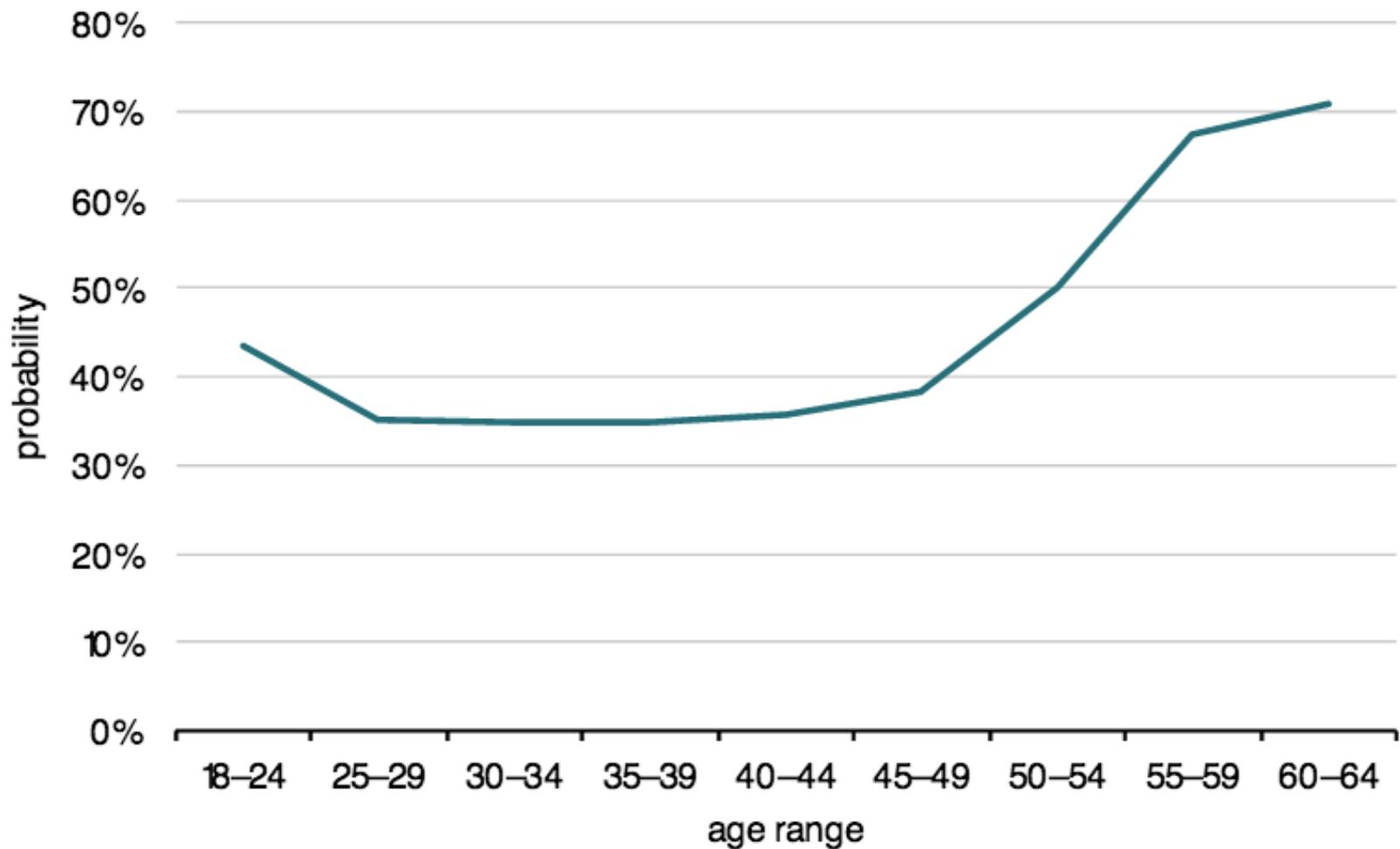
Percentage Distribution of Reasons for SSDI Allowance, 1992-2010



Econometric Evidence

- The ease of SSDI applicants to obtain awards if they are in the grid can also be shown by formal analysis.
- Rupp (2012) uses a random sample of 1,736,554 disability determinations made during the 1993-2008 period to determine the probability of award by age, controlling for area of residence, medical diagnosis, year, etc. He finds that the probability of initial award spikes past age 50.

Estimated Probability of Initial SSDI Award by Age, 1993–2008



Source: Based on Rupp (2012).

Modern Relevance of Grid Criteria

- The vocational factors considered for the “grid” are based on the supposition that older workers, poorly educated workers, etc. need a “break” because of external labor market conditions or because it is more difficult for them than otherwise similarly situated, somewhat disabled, workers to adjust.
- But conditions in the labor market have changed considerably since the rules’ creation in the 1970s , which based on even earlier experience.
- Technological advances also mean that disadvantages once deemed worthy of consideration by SSA should have much less weight in awarding DI benefits.

Changes in Labor Force Over Time

- Since the creation of the vocational grid, the labor force has largely moved away from manual, labor-intensive occupations and toward managerial and service-sector jobs.
- Over the past twenty years alone, the share of “sedentary occupations” has risen from 42% to 56%, according to BLS.
- Moreover, even production jobs are less physically demanding.

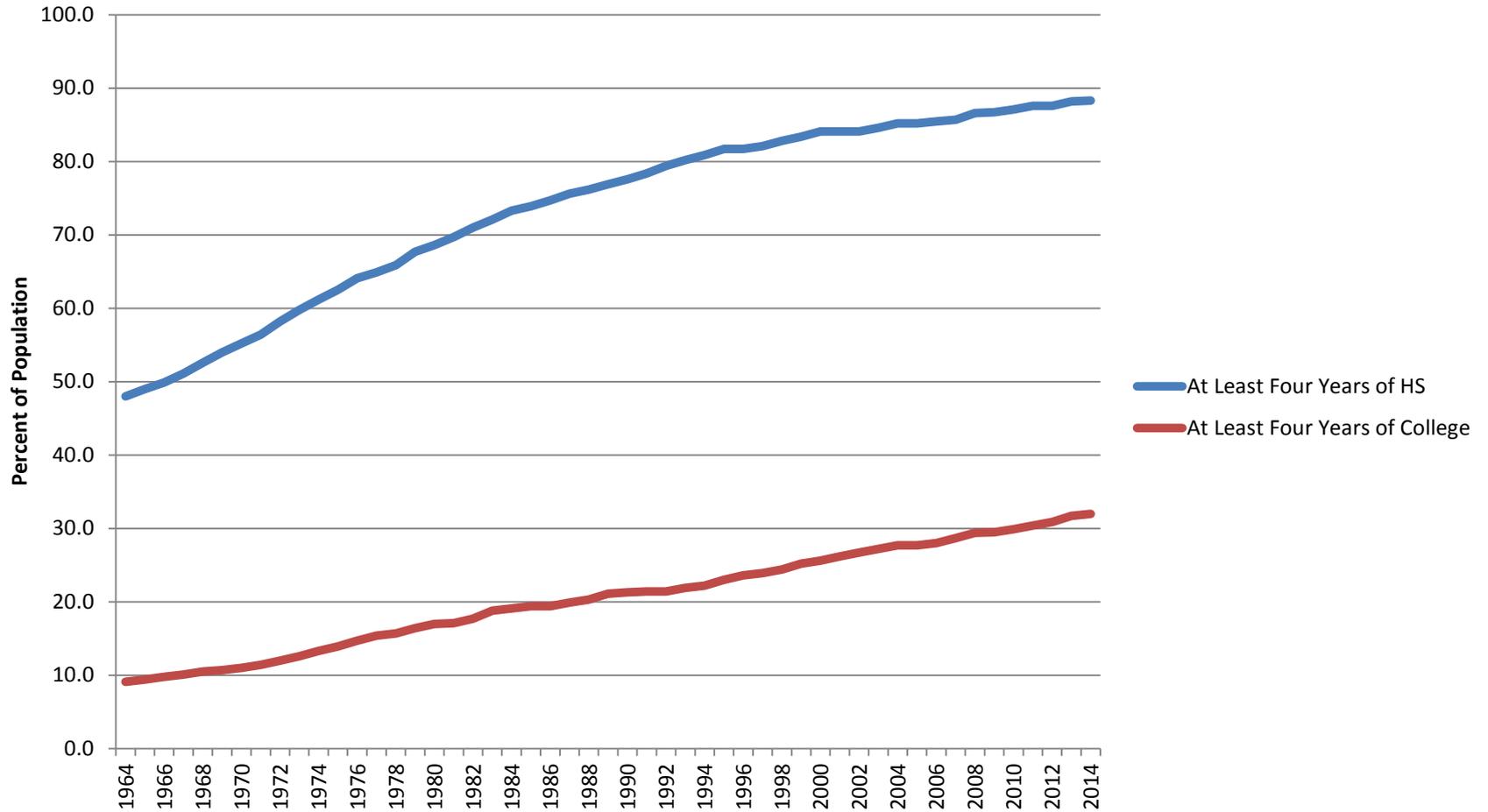
Changes in Life Expectancy

- Since the experience underlying current vocational rules, life expectancy has lengthened considerably.
- A male fifty-year-old in 1960 could expect to live for 23 more years, while his male counterpart in 2010 could expect 29.6 more years. Life expectancy for female fifty-year-olds increased from 27.7 to 33.2 during this period.
- The grid designation of age 50 as “closely approaching advanced age” is almost laughable.

Rise of Educational Attainment

- Rules on education reflect an era where college was exception, not norm, and high school completion was far from universal.
- High-School diploma attainment has nearly doubled over past fifty years; four-year degree completion has tripled.
- Grid's focus on "limited education"- those with less than 12th grade education- also fails to take into account rise of vocational programs, rise of substitutes to traditional education.
- Think about Bill Gates and Steve Jobs, both of whom did not finish college.

Educational Attainment, 25 Years and Over, 1964-2014

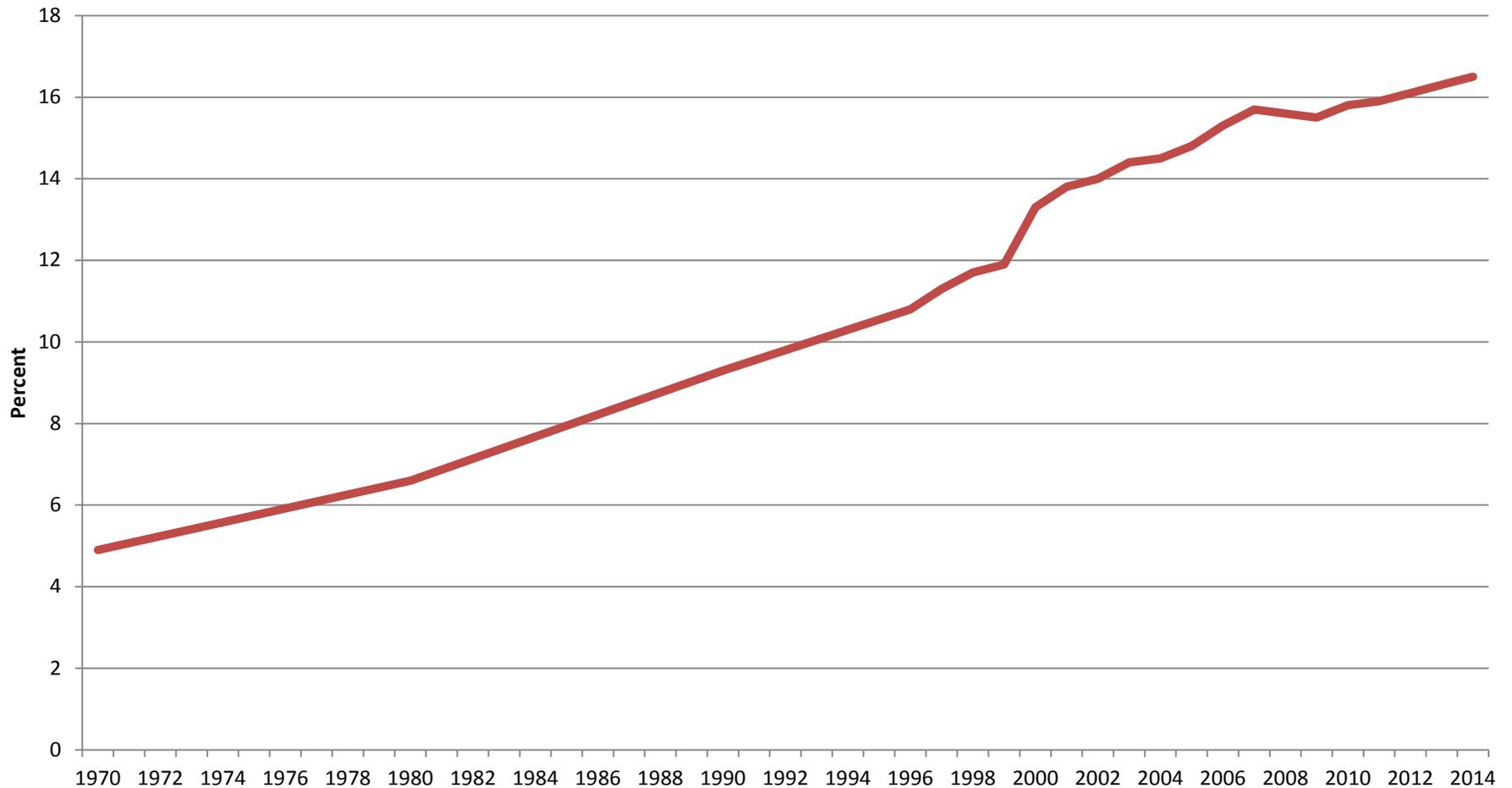


Source: U.S. Census Bureau, Current Population Survey.

Relevance of Language Ability

- Rules granting leeway to poor-proficiency English speakers come from an era where American workforce almost universally spoke English; “language late-comers” were punished in the labor market.
- This has changed; foreign-born composition of work-force has more-than tripled since 1970.
- Immigrants with poor English tend to self-select into large ethnic enclaves (Bauer et al, 2002), where English proficiency has little/no relationship with earnings (Hwang et al, 2010).

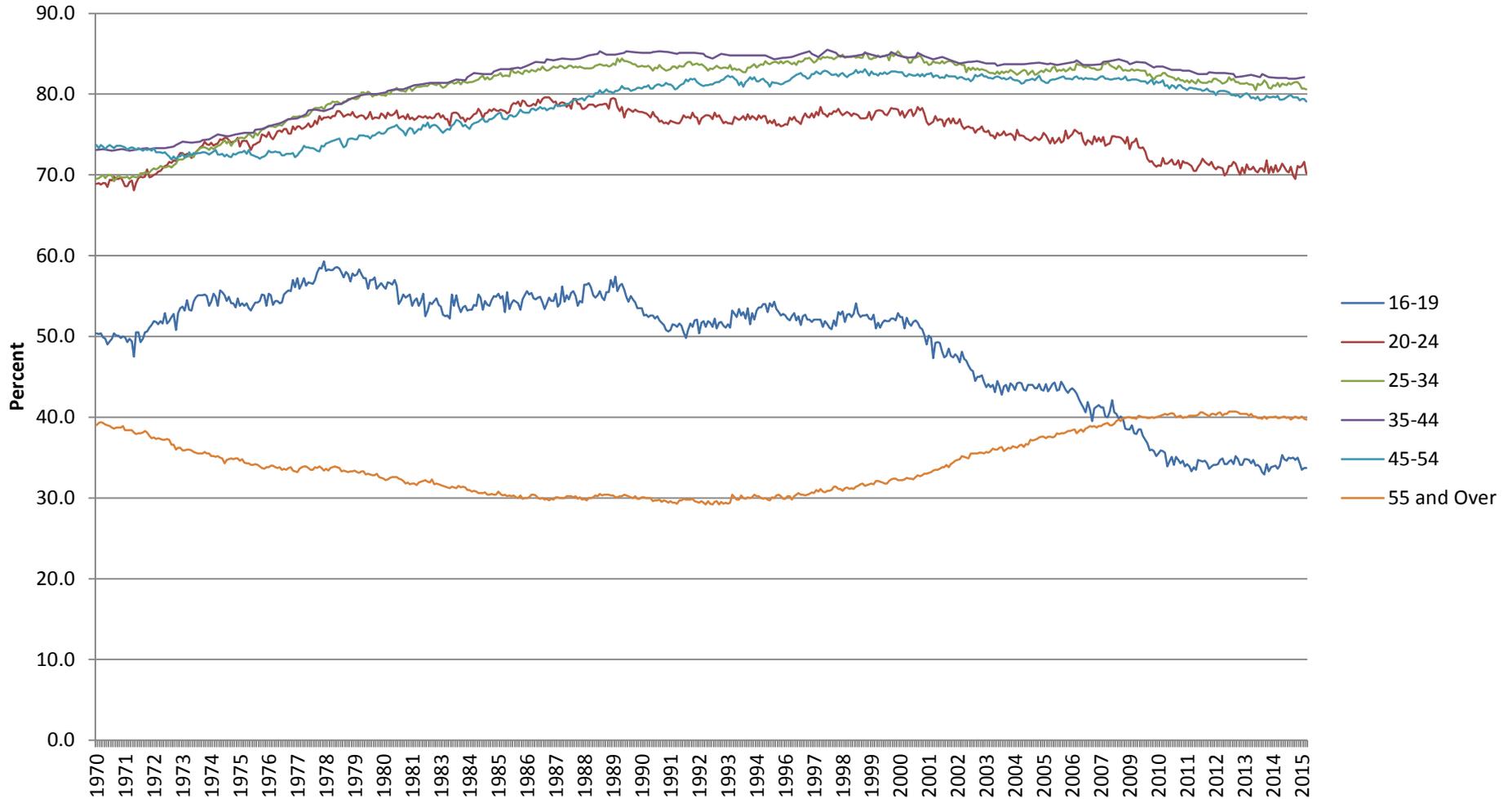
Foreign-Born Workers as Percentage of Labor Force, 1970-2014



Changes in Labor Force Participation

- Labor force participation among adults 55 and over is on a thirty-year-upward trend, in contrast to the stable-or-declining participation of all other age groups. Participation for the 55+ group has increased by roughly a third since 1985.
- Even as increased educational attainment is pushing the age of initial entry into the labor force later and later, adults are disengaging from the labor force later as age-related maladies become more manageable.
- Policy changes such as the liberalization of Social Security's retirement earnings test, older NRA, and the widespread switch to defined contribution plans have also been behind the trend toward later retirement.

Labor Force Participation by Age Group, 1970-2015



Source: U.S. Bureau of Labor Statistics.

Recommendations

- Grid criteria of age, education, and language ability should be eliminated.
- Sole focus should be on the residual functional capacity; disability examiners should determine if applicant can do any job in the national economy.
- Alternatively, some slight consideration could be given to age, but this should be done in tandem with conversion of all disability benefits into retirement benefits at ERA (age 62).