

# The Return to Work in Disability Programs: What Has Been Learned and Next Steps

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# Introduction

- We review 11 demonstrations focused on return to work
- We summarize 10 broad lessons learned
- We then suggest several programmatic changes (7) and demonstration design issues (5) to consider
- This talk highlights a few of these lessons and suggestions

# Demonstrations Reviewed

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- **Financial incentives:** BOND, POD, SPI/SPI Waiver
- **Vocational Rehabilitation:** Project Network, Ticket to Work, ODRD
- **Mental Impairments:** TETD, MHTS, SED
- **Health Insurance:** Accelerated Benefit

# Lessons Learned

# Small impacts on earnings

- *“1. Most of the efforts to increase employment, earnings, and labor force engagement of SSDI beneficiaries in general have been disappointing.”*
  - BOND: Replacing benefits cliff with \$1 for \$2 offset did not increase average earnings
  - Counseling to help understand benefit offset had no effect on top of \$1 for \$2
  - POD Interim Report: also null result
  - Demonstrations show no evidence that work disincentives from SSDI rules are the main explanation for low exit rates

# Earnings rarely rise to SGA

- “3. Where there are SSDI earning impacts, earnings rarely rise to SGA.”
  - Several potential explanations; low work capacity or desire not to lose eligibility
  - Policy question: Is some work at a low earnings level a desirable outcome that policy should promote?
    - MHTS did not increase earnings above SGA but positively affected mental health.

# No increases in SSDI exit rates

- *“4. There are essentially never increases in exits from these demonstrations and rarely reductions in SSDI expenditures.”*
  - Surprising that even a small fraction not induced to exit
  - Sometimes benefits paid increase



# Financial incentives don't work well

- “5. SSDI Financial incentives don't work so well.”
  - Smoothing out the benefits cliff has ambiguous theoretical effects on labor supply
  - BOND results suggest there were both positive and negative labor supply responses
  - Possible that benefit reduction rate is still too high

# Take-up rates are low

- “8. Only a small number of SSDI beneficiaries take up most of the programs.”
  - Demonstrations focused on service provision do positively impact service receipt
  - However, take-up rates are still low
  - Expectations for the fraction of SSDI beneficiaries that have sufficient residual work capacity should probably be lowered

# Suggestions: Programmatic Changes

# EITC

- Even under BOND's modified \$1 for \$2 benefit offset, earnings are taxed at a high rate (50%)
- EITC: One option is to try to supplement earnings with a benefit, explicitly subsidizing employment
- EITC is the most successful financial reform in other transfer programs
- Simpler than alternative such as the Generalized Benefit Offset

# Suggestions: Demonstration Design

# Volunteers

- SSA demonstration authority requires using volunteers
- We propose that the goal of new demonstrations be to offer scaled up programs permanently to a smaller subset of beneficiaries (not the full caseload)
  - Volunteers approximately representative of that subset
- Targeting may reduce expenditure, if subgroups with largest benefits can be identified
  - MHTS increased employment, but at a high cost per participant

# More than Intent-to-treat

- More parameters are policy-relevant than the average impact of offering the program (intent-to-treat)
- Also important to know impacts conditional on take-up
  - Treatment on treated
  - Local average treatment effects
  - These parameters are central if the scaled-up program will use targeting

# Other Suggestions



# Other ideas suggested/considered

- Other programmatic reforms discussed:
  - Reducing the work disincentives arising from the prospects of termination
  - Early interventions, employment services during the application process
  - Reducing work incentive rule complexity
  - Time limited benefits
  - Partial DI benefit programs
- Other demonstration design considerations:
  - Increased use of scalable multiple treatment groups and factorial designs
  - More intentional planning of volunteer effects to facilitate targeting
  - Addressing the problem of limited demonstration duration
  - Incorporating entry effects

# Conclusion

# Conclusion

- We summarize the impacts of 11 demonstrations relating to return to work
- We summarize lessons learned and suggest ideas to consider for programmatic changes and future demonstrations
- **One big takeaway:** *Expectations for the fraction of SSDI beneficiaries that have sufficient residual work capacity should probably be lowered, and work programs should be targeted on those who are likely to have significant capacity*

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# Return to Work: Barriers & Opportunities

Discussion of “The Return to Work in Disability Programs: What Has Been Learned and Next Steps” (Gregory & Moffitt)

Discussant: Kathleen Romig, Center on Budget and Policy Priorities



# Lessons Learned from SSA Work Demos (Gregory and Moffitt, 2021)

- Most SSA work demos do not significantly increase employment, earnings, or LFP. Even when beneficiaries' earnings increase, they rarely rise above SGA.
- There are “essentially never” increases in program exits due to work from demos, and “rarely” reductions in SSDI expenditures.
- Only a small number of SSDI beneficiaries try the interventions offered in work demos, possibly because few have residual work capacity.

# Medical Criteria for Disability Benefits are Very Strict

- Most SSDI & SSI applicants rejected, even after appeal

## Fewer Than 4 of 10 Disability Insurance Applications Are Ultimately Allowed

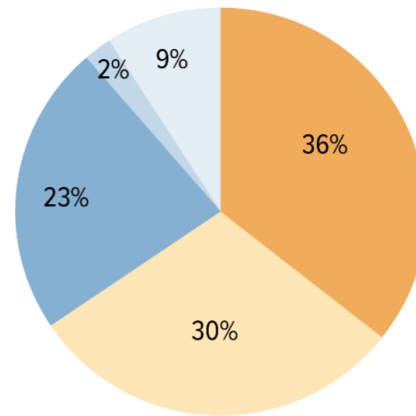
Percent of applications

### Allowed (34%)

- Allowed at initial application
- Allowed at reconsideration
- Allowed on appeal to administrative law judge

### Denied (66%)

- Denied for medical reasons
- Denied for technical reasons



Source: CBPP based on data from the Social Security Administration. Data are for applications in 2014 through 2016, the most recent years for which nearly complete data are available.

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## SSI Disability Applications: Fewer Than 4 in 10 Ultimately Allowed

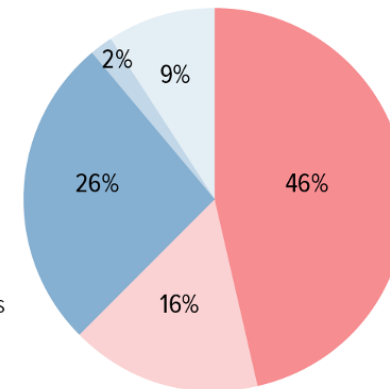
Percent of SSI disability applications

### Allowed (38%)

- Allowed at initial application
- Allowed at reconsideration
- Allowed on appeal to administrative law judge

### Denied (62%)

- Denied for medical reasons
- Denied for technical reasons



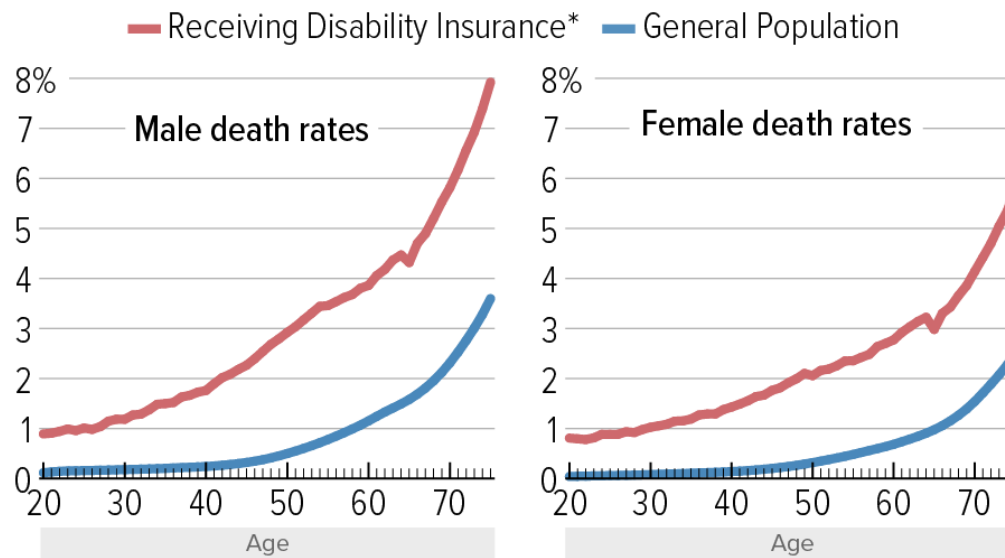
Note: Pending appeals split evenly between "medical denials" and "allowed on appeal" based on analysis of recent trends. Applications allowed then subsequently denied for non-medical reasons are classified as technical denials. Supplemental Security Income's (SSI) disability program is distinct from Social Security Disability Insurance, which has a similarly strict application process.

Source: CBPP analysis of Social Security Administration data, 2014-2016, the most recent years for which nearly complete data are available.

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# SSDI Beneficiaries Are in Poor Health

## Death Rates Higher for Disability Insurance Beneficiaries Than for General Population



\*Data for people 66 or older represents former Disability Insurance beneficiaries who have been converted to retirement benefits

Source: CBPP based on data from the Social Security Administration.

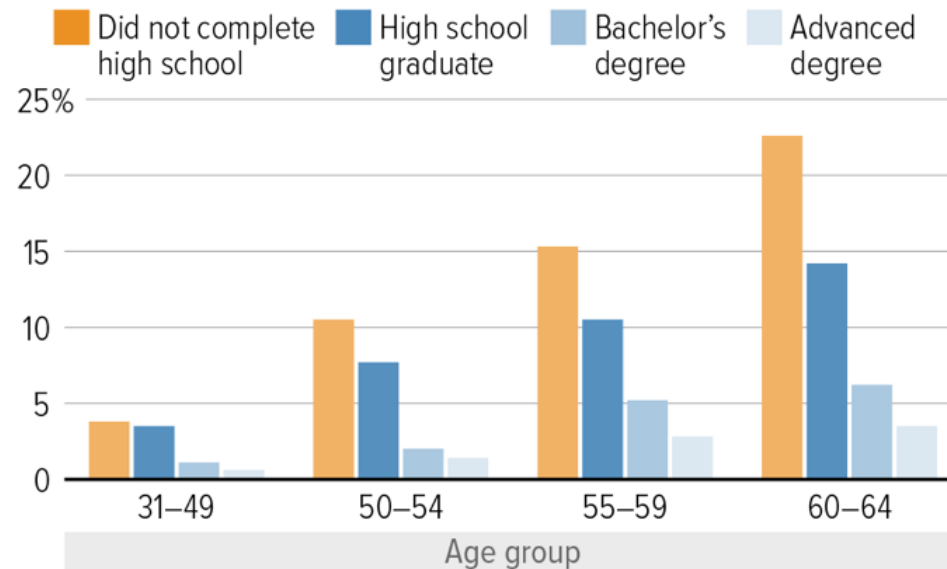
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# Most SSDI Beneficiaries Have Limited Education

## Disability Insurance Receipt is Highest Among Older Workers With Limited Education

Percent of group receiving Disability Insurance, 2010



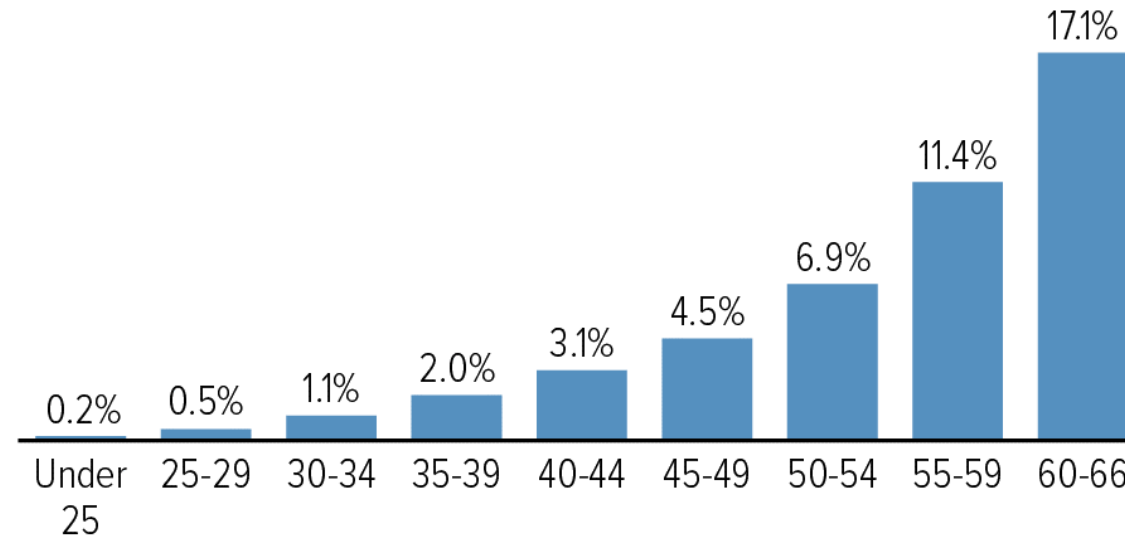
Source: Urban Institute.

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# Most SSDI Beneficiaries Are Older

## Disability Rates Rise With Age

Social Security Disability Insurance beneficiaries as a percent of insured workers, June 2020



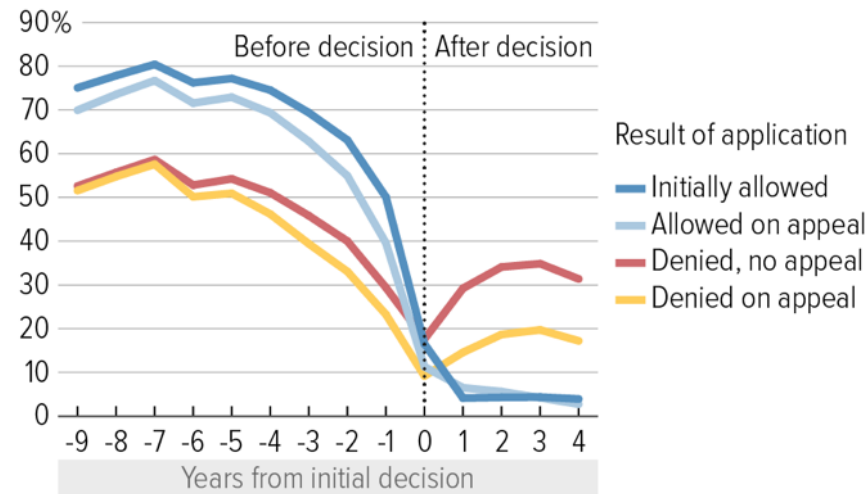
Source: CBPP based on data from Social Security Administration

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# Most SSDI Beneficiaries Haven't Worked at SGA for at Least a Year Before Applying

## Disability Insurance Applicants Experience Sharp Drop in Earnings Before Application; Few Work Afterward

Percent of applicants performing substantial gainful activity before and after initial decision



Source: Nicole Maestas, Kathleen Mullen, and Alexander Strand, "Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt," Michigan Retirement Research Center Working Paper 2010-241. Additional plot points, through 4 years after decision, courtesy of the authors.

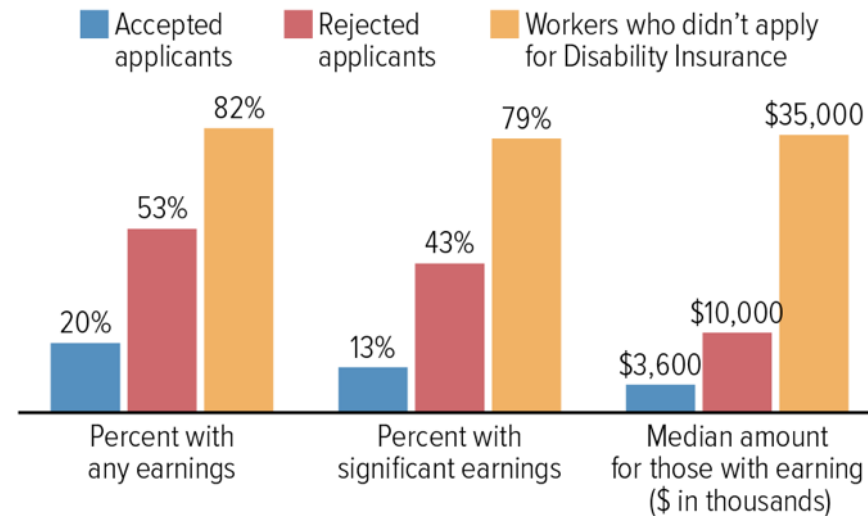
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# People with Disabilities Face Substantial Barriers to Work

- Employment discrimination
- Lack of workplace accommodations
- Transportation
- Difficulty accessing health care, including long-term services and supports
- Little wonder that few SSDI/SSI beneficiaries do self-supporting work!

# SSDI Applicants Struggle in the Labor Market

## Disability Insurance Applicants – Including Rejected Applicants – Fare Very Poorly in the Labor Market



Source: CBPP based on von Wachter, Song, and Manchester in American Economic Review, December 2011. Data are for men age 45 through 64. For applicants, work and earnings are for second year after application. Nonapplicants were selected to mimic applicants in terms of age and previous earnings. For simplicity, figures for accepted applicants are a weighted average of those allowed at the initial and appeal levels. "Significant" earnings were defined as the equivalent of three months of full-time work at minimum wage, or about \$2,700 in 2000. Median earnings are expressed in 2000 dollars.

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# So Why Try?

Traditional Goals	Evidence?	Alternative Goals	Evidence?
Reducing caseloads	Unlikely	Beneficiaries' desire to work	Some subsets
Saving money	Unlikely (possibly higher spending)	Improved well-being	Mental health, community integration, economic security

# What Direction for Future SSA Experiments?

- Don't expect to save money, reduce caseloads, get sustained work above SGA.
- Do expect to spend money on rewarding work (EITC-style wage supplements) and providing supports (e.g., MHTS).
- Target people who want to work and have work capacity. (Voluntary demos: Not so bad!)
- Broaden goals to include beneficiary well-being.
- Intervene early—ideally, before beneficiaries approach SSA.



# Kathleen Romig

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# Discussion: The Return to Work in Disability Programs – by Gregory and Moffitt

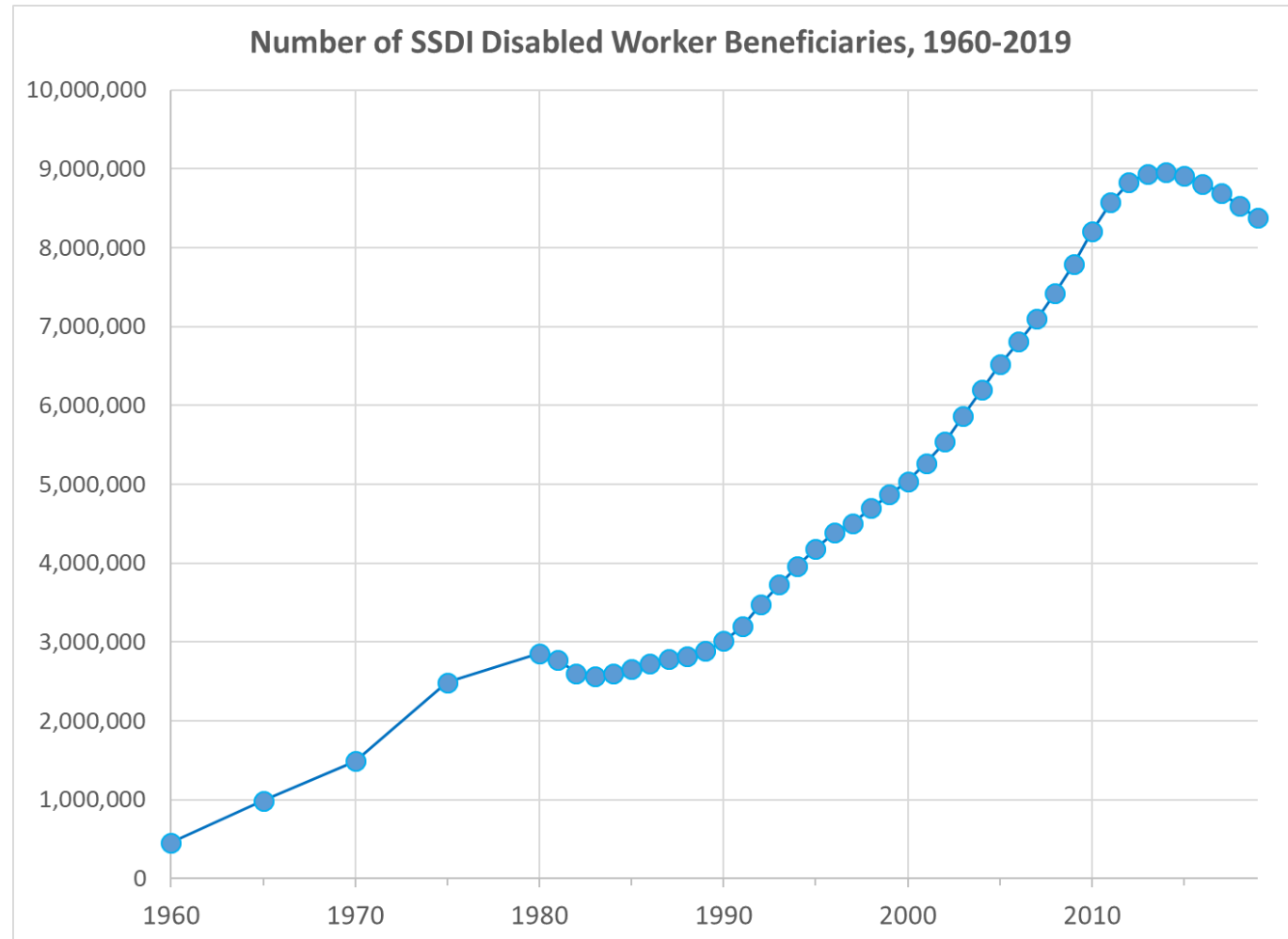
Discussant: Hilary Hoynes, University of California, Berkeley



# 1. Why the focus on work?

It is useful to start with some context around why there is so much policy attention on increasing work among SSDI and SSI recipients

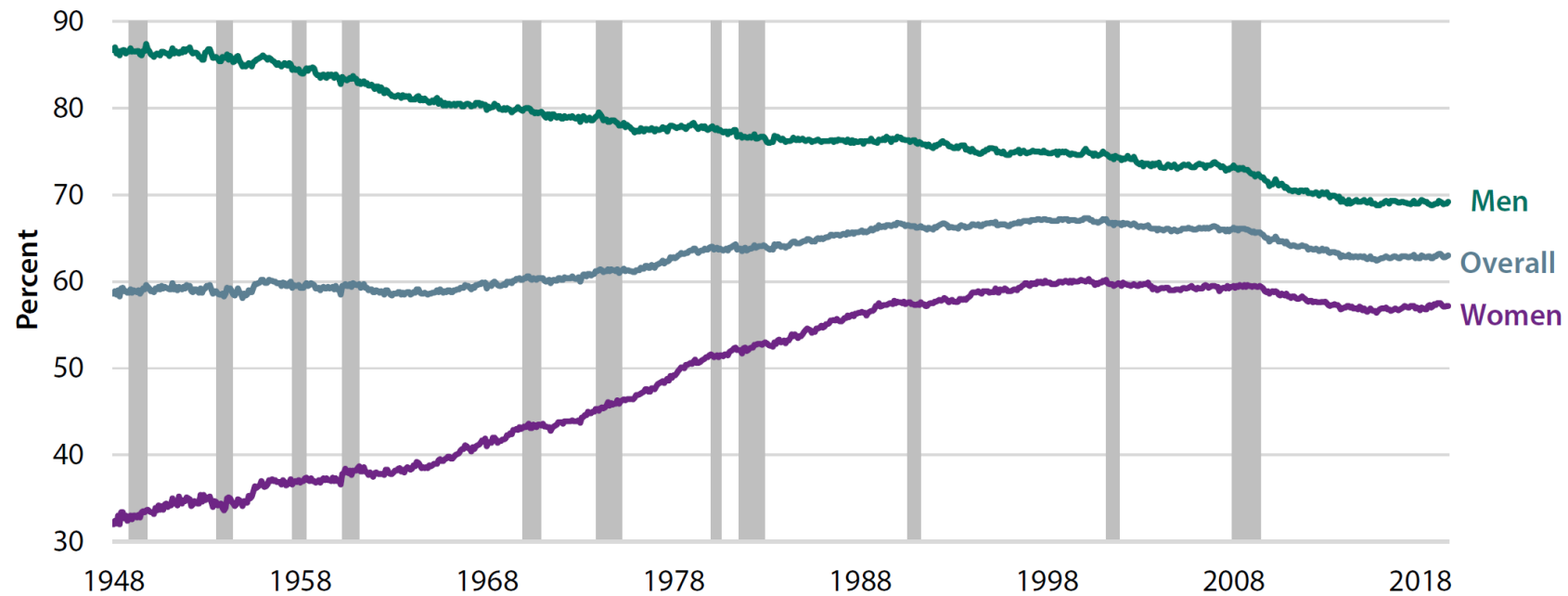
# Large increases in SSDI caseload (and costs)



Source: SSA Annual Statistical Supplement, 2019.

# Declines in labor force participation

FIGURE 1.  
Labor Force Participation Rate by Gender, 1948–2019



Source: Bureau of Labor Statistics (BLS) 1948–2019.

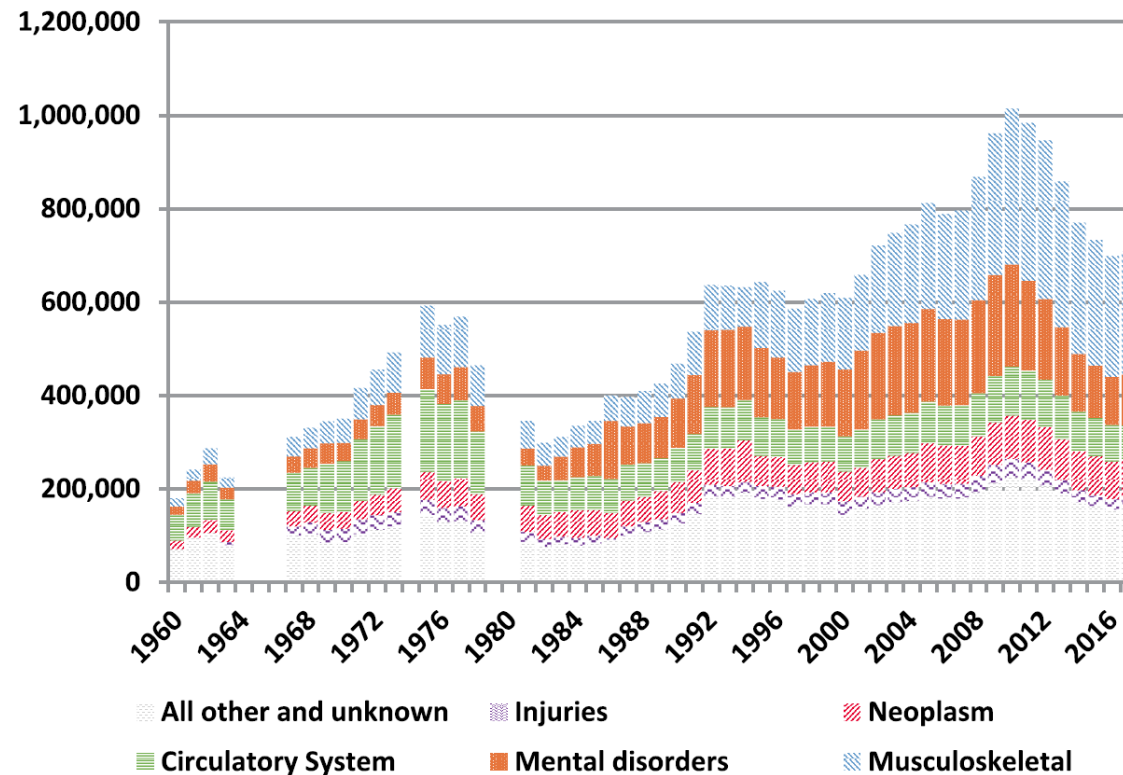
Note: Data include individuals 16 and older. Data are monthly, seasonally adjusted, and extend through July 2019. Gray bars denote recessions.

THE  
HAMILTON  
PROJECT  
BROOKINGS

Figure from Hamilton Project (2019) “Labor Force Nonparticipation”

# Changes in work disabling conditions

FIGURE 2  
Number of New SSDI Awards to Disabled Workers by Diagnostic Group, 1960–2017



Share  
Musculoskeletal:

1996 20.6%

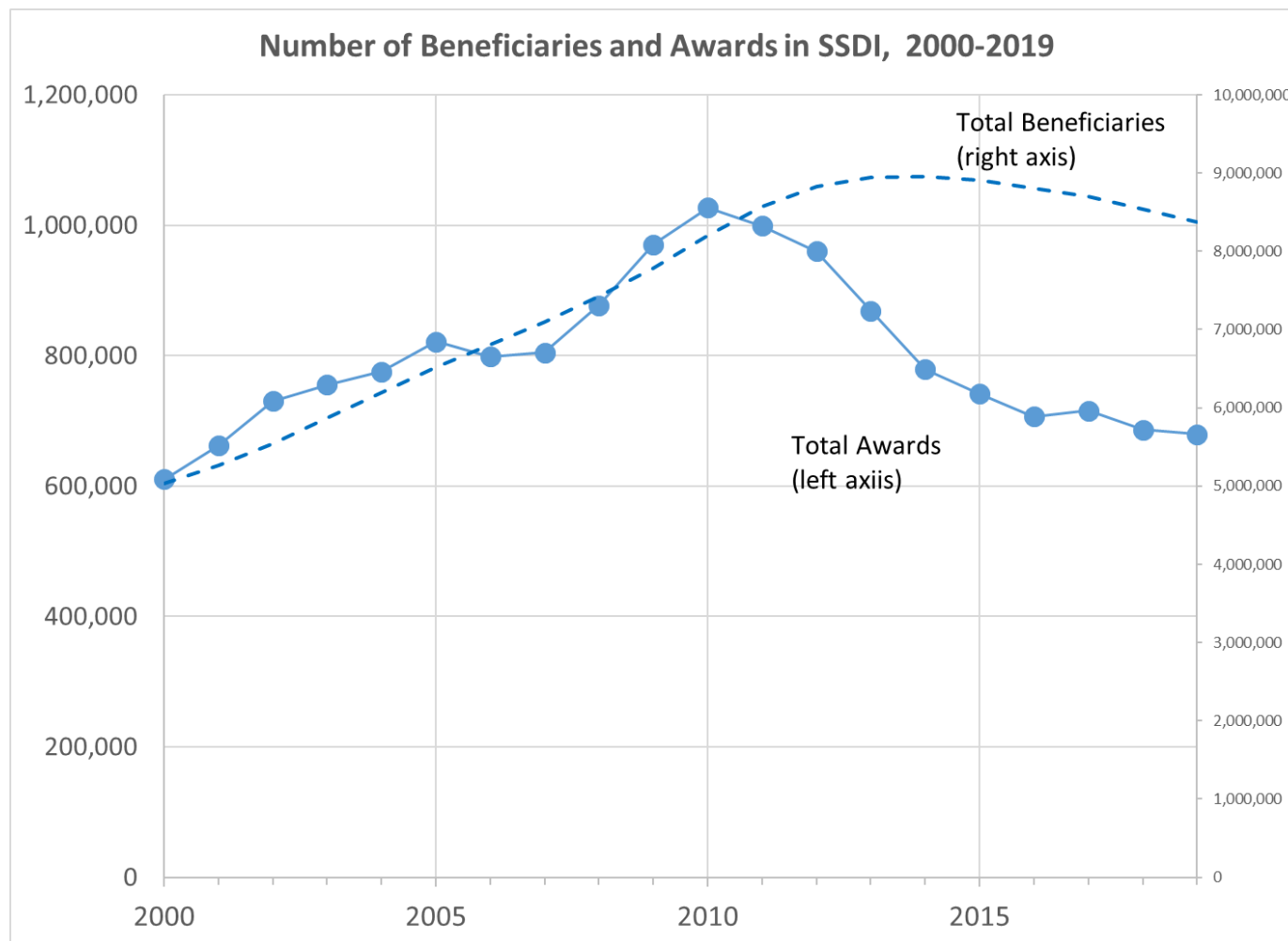
2019 33.6%

SOURCE: SSA (2018d, Table 40).

Figure from Maestas (2019)

## 2. But recent trends (pre-COVID) show different patterns

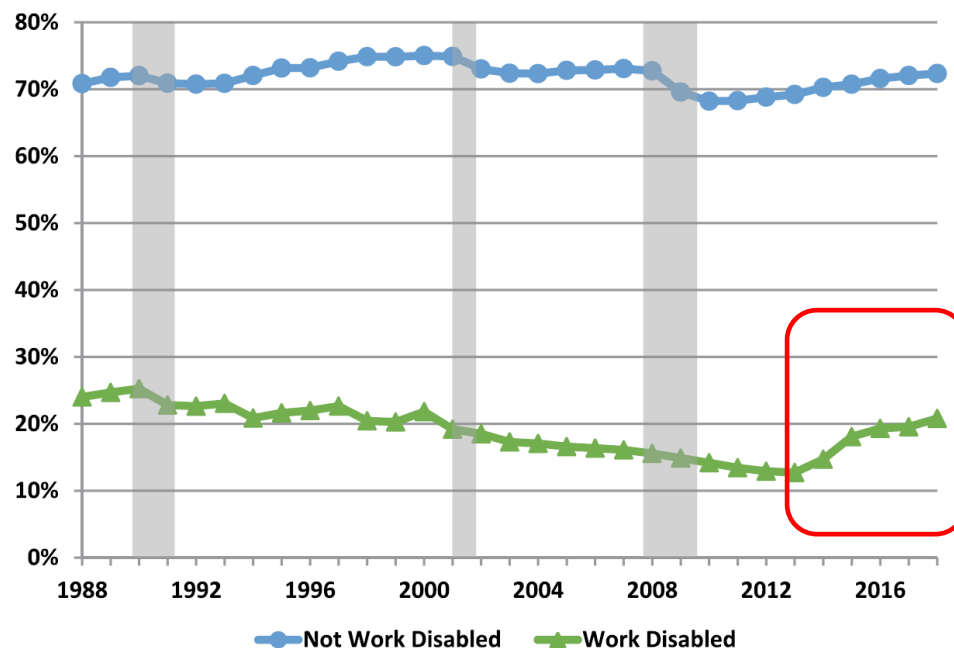
# Reductions in caseload since 2010 peak



Source: SSA Annual Statistical Supplement, 2019.

# Increases in employment among disabled

FIGURE 6  
Employment Rate of People with and without Disabilities (ages 16–64)



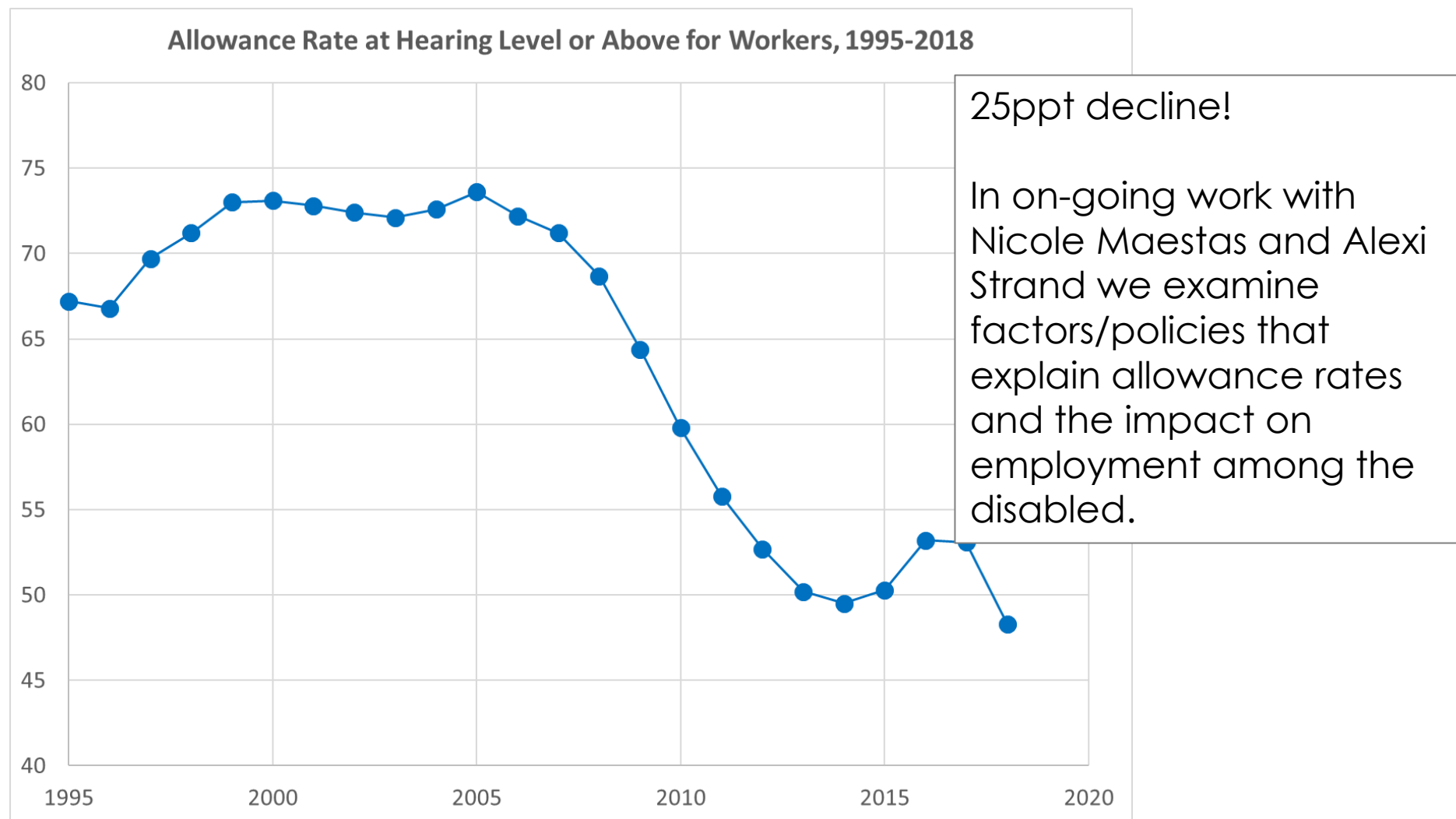
SOURCE: Flood et al. (2018).

NOTE: “Work disability” is defined as a disability or health problem that limits or prevents work. Beginning in 2016, the wording of this question in the Annual Social and Economic Supplement of the Current Population Survey changed by covering the entire previous year and including issues that affected work even for short periods of time.

*Figure from Maestas (2019)*



# Substantial reductions in allowance rates



Source: SSA Annual Statistical Supplement, 2019.

### 3. Thoughts going forward

- Usual public finance framing for analyzing transfer programs – tradeoffs of *protection vs distortion*
- For SSDI, the goal is to provide protection against disability-related earnings losses but balanced against not inducing labor force nonparticipation among people who could otherwise work.
- To make sense of the results here (policies around work, work disincentives) we need to also know about protection
  - How does SSDI (and SSI) affect short and long run health, economic and financial well-being (see Deshpande's work on SSI)

- Given the encouraging evidence on early interventions and benefits of health care (and lack of success with financial incentives) → we need to identify ways to keep more SSDI applicants in the labor force
- A multi-tiered system
  - One tier targets those with capacity to work (partial insurance - Maestas)
  - Another tier provides health care and short term income supplements
  - Third tier long term disability without capacity to work



**I appreciate the opportunity to  
participate and to read this  
excellent paper**

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# Lessons Learned from SSA Demonstrations: A State of the Science Meeting



We are on a break.  
Content will resume shortly.