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The Realities of Work for Individuals with Disabilities: Impact of Age, Education, and Work Experience Remarks at the National Disability Forum

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Disability Insurance (DI) is an essential part of Social Security. Through their payroll tax contributions, more than 150 million workers have earned its protection in case of a severe, long-lasting medical impairment that limits their capacity to work, and nearly 9 million of them receive benefits.¹ A young person starting a career today has a one-third chance of dying or qualifying for DI before reaching Social Security's full retirement age. Benefits are modest — only \$1,165 a month, on average — but vital.

The Social Security Administration (SSA) is inviting comments on the criteria it uses to evaluate whether the 2.5 million people who apply for DI each year meet the strict definition of disability in the law. Specifically, it asks if it should change the way it considers the so-called vocational factors of older age, limited education, and lack of transferable skills in determining which applicants are eligible for benefits — and, if so, how.² Here are some reasons why SSA should be cautious in revising its evaluation of vocational factors.

Disability Isn't a Purely Medical Concept

Whether a physical or mental impairment is disabling for a particular individual depends on his or her circumstances. A back problem that wouldn't end the career of an economist or journalist, for example, might be career-ending for a worker who never went to college and has always done manual labor. The Social Security Act defines disability as “[the] inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.” It further requires:

¹ Another 3.5 million people aged 18-64 collect Supplemental Security Income (SSI) benefits because of disability. Although my remarks focus on DI, the medical and vocational rules are essentially the same in DI and SSI.

² Social Security Administration, Advance Notice Of Proposed Rulemaking, “Vocational Factors of Age, Education, and Work Experience in the Adult Disability Determination Process,” *Federal Register*, September 14, 2015, <https://www.federalregister.gov/articles/2015/09/14/2015-22839/vocational-factors-of-age-education-and-work-experience-in-the-adult-disability-determination>.

An individual shall be determined to be under a disability only if his physical or mental impairment or impairments are of such severity that he is not only unable to do his previous work *but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy*, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work [emphasis added].³

Thus, the law expects workers who experience health problems to support themselves by switching to other work — even in another field or at lower pay — if they are able. SSA implements the law through regulations, which aim to assure that disability examiners and administrative law judges all use the same criteria in making decisions.

Given the size of Social Security, it's necessary to develop standardized administrative procedures to make those decisions. The vocational factors come into play at the final stage of a sequential evaluation process.

SSA first turns down applicants who are not insured for disability benefits, have substantial earnings, or do not have a severe impairment. It then weighs whether the applicant's impairment is so severe that it meets (or equals in severity) a list of extremely disabling conditions, such as the loss of two or more limbs, vision of less than 20/200 even with correction, or a diagnosis of Amyotrophic Lateral Sclerosis (commonly known as Lou Gehrig's disease).⁴ The medical listings expedite the approval of applicants whose impairment can be presumed to be disabling based on medical evidence alone, without requiring an individualized assessment of their ability to work.

Finally, applicants whose ill health doesn't quite meet those dire criteria may qualify if they are unable to meet the demands of their past work and if the combination of their functional capacity, age, education, and skills precludes them from adjusting to other work. For applicants age 50 and over, SSA employs a medical-vocational "grid" establishing three age brackets at which SSA evaluates the range of jobs which applicants are expected to perform.⁵ Applicants approved based on the grid chiefly comprise high-school dropouts and, in some cases, high-school graduates who remain capable of limited work but lack transferable skills.

DI receipt is most prevalent among older workers with limited education. (See Figure 1.) Similarly, Census surveys confirm that rates of self-reported disability rise with age and fall with greater educational attainment.⁶ Researchers find small jumps in the number of people qualifying for DI at the grid's age thresholds of 50, 55, and 60 — the three points at which SSA modestly eases

³ Social Security Act, section 223 (Disability Insurance); similar language appears in section 1614 (Supplemental Security Income). By regulation, "substantial gainful activity" (SGA) is currently defined as \$1,090 a month — equivalent to less than full-time work at the minimum wage, or about 40 percent of median earnings of a full-time, year-round worker with a high-school diploma but no college.

⁴ Appendix 1 to Subpart P of Part 404, Code of Federal Regulations.

⁵ Appendix 2 to Subpart P of Part 404, Code of Federal Regulations. The agency offers a plain-English explanation of the entire determination process to applicants at <https://www.ssa.gov/planners/disability/dqualify5.html>.

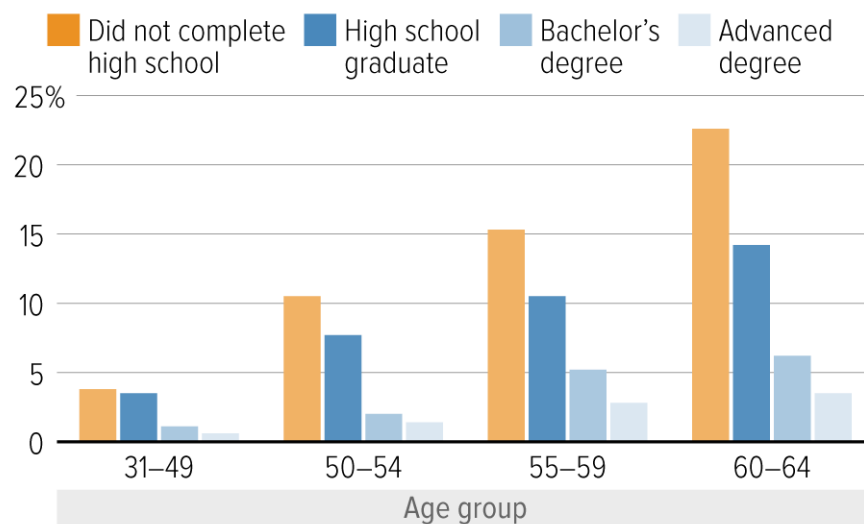
⁶ U.S. Census Bureau, *Americans with Disabilities: 2010*, Current Population Reports, July 2012, <http://www.census.gov/prod/2012pubs/p70-131.pdf>.

its expectations of applicants' ability to switch to other jobs.⁷ DI beneficiaries have lower educational attainment than the general public: somewhere between 50 and 64 percent of beneficiaries have no more than a high school diploma, and fewer than one in five have a college degree.⁸ In contrast, about 40 percent of all adults have a high school education or less. Older populations, lower levels of education, and a predominantly blue-collar industrial base explain most of the relatively high rates of disability receipt in certain geographic areas.⁹

FIGURE 1

Disability Insurance (DI) Receipt is Highest Among Older Workers With Limited Education

Percent of group receiving DI, 2010



Source: Urban Institute.

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⁷ See Joyce Manchester and Jae Song, “What Can We Learn from Analyzing Historical Data on Social Security Entitlements?,” *Social Security Bulletin*, Vol. 71 No. 4, 2011, <http://www.ssa.gov/policy/docs/ssb/v71n4/v71n4p1.html>.

⁸ Paul O’Leary, Elisa Walker, and Emily Roessel, “Social Security Disability Insurance at Age 60: Does It Still Reflect Congress’ Original Intent?” Social Security Administration, Issue Paper 2015-01 (September 2015), chart 3, <https://www.socialsecurity.gov/policy/docs/issuepapers/ip2015-01.html>. The paper presents data from two different sources that show different educational attainment rates for SSDI beneficiaries. A range is listed here, as it is unclear which source is more accurate.

⁹ Kathy A. Ruffing, “Geographic Pattern of Disability Receipt Largely Reflects Economic and Demographic Factors,” Center on Budget and Policy Priorities, January 2015, <http://www.cbpp.org/research/geographic-pattern-of-disability-receipt-largely-reflects-economic-and-demographic-factors>.

DI Eligibility Criteria Are Stringent

International comparisons, studies of rejected applicants, and other research all provide evidence that DI's eligibility criteria are stringent.

The Organisation for Economic Co-operation and Development (OECD) reports that the United States has some of the most stringent eligibility criteria for disability benefits among advanced economies.¹⁰ The United States spends less on disability benefits as a share of the economy than most other advanced countries.¹¹ Compared with their counterparts in ten European nations, U.S. beneficiaries are far likelier to be among their country's sickest citizens.¹² Relatively modest benefits, a five-month waiting period, and a strict eligibility standard (requiring that beneficiaries can't do *any* substantial work, not just their past work) make DI generally unappealing to prospective applicants who are capable of work. Allowance rates are low — 4 out of 10 applicants are awarded benefits¹³ — and tend to fall in recessions, emphasizing that DI is not an unemployment program.¹⁴

One way to gauge DI's stringency is to consider what happens to rejected applicants. Barely half of older males who are rejected have any earnings two years after application, and their median earnings are very low. In contrast, older males who *don't* seek DI benefits are likely to work and have substantial earnings. (See Figure 2.)¹⁵

A new study of workers denied at the final vocational stage — indicating that they had a severe impairment that prevented them from doing their past work but could do other work — found that

¹⁰ Organisation for Economic Cooperation and Development, *Sickness, Disability, and Work: Breaking the Barriers — A Synthesis of Findings Across OECD Countries*, 2010, http://ec.europa.eu/health/mental_health/eu_compass/reports_studies/disability_synthesis_2010_en.pdf.

¹¹ Paul N. Van de Water, “4 Reasons Why the Netherlands Isn't a Model for Disability Insurance,” Center on Budget and Policy Priorities, September 17, 2015, <http://www.cbpp.org/blog/4-reasons-why-the-netherlands-isnt-a-model-for-disability-insurance>.

¹² Enrica Croda, Jonathan Skinner, and Laura Yasaitis, “An International Comparison of the Efficiency of Government Disability Programs,” National Bureau of Economic Research (NBER) Disability Research Center Paper No. NB 13-08, September 2013, <http://www.nber.org/aging/drc/papers/odrc13-08>.

¹³ Over the 2009-2011 period — which we use because few applications from those years are still awaiting decision — SSA granted benefits to about 37 percent of all disabled-worker applicants (the award rate). Expressed as a percentage of medical decisions, which excludes people who weren't insured or who failed other technical criteria, SSA granted benefits in 56 percent of cases (the allowance rate). See Table 60, “Outcomes at all adjudicative levels, by year of application, 1992–2012,” *Annual Statistical Report on the Social Security Disability Insurance Program, 2013*, Social Security Administration, December 2014, https://www.ssa.gov/policy/docs/statcomps/di_asr/2013/sect04.html.

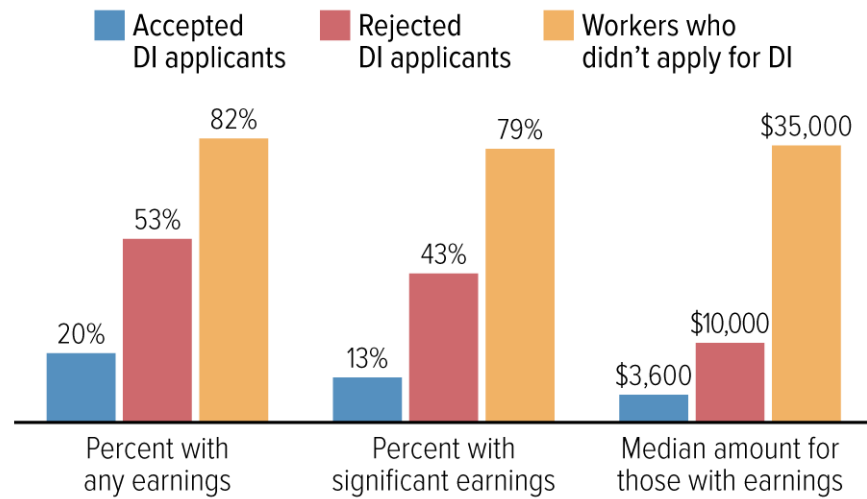
¹⁴ Stephen C. Goss, Anthony W. Cheng, Michael L. Miller, and Sven H. Sinclair, “Disabled Worker Allowance Rates: Variation Under Changing Economic Conditions,” Social Security Administration, Actuarial Note 153, August 2013, https://www.ssa.gov/OACT/NOTES/pdf_notes/note153.pdf; Kathy A. Ruffing, “Disability Benefits Are Hard to Get — Even in Recessions,” Center on Budget and Policy Priorities, September 3, 2013, <http://www.offthechartsblog.org/disability-benefits-are-hard-to-get-even-in-recessions/>. (An updated version of the graph may be found in CBPP's chart book at <http://www.cbpp.org/research/chart-book-social-security-disability-insurance>.)

¹⁵ Paul N. Van de Water, “Few Disability Insurance Beneficiaries Could Support Themselves by Working,” Center on Budget and Policy Priorities, March 9, 2015, <http://www.cbpp.org/blog/few-disability-insurance-beneficiaries-could-support-themselves-by-working>.

their employment rates dropped by 20 to 25 percentage points or more; earnings declined by 10 to 20 percent for low earners, and by a precipitous 40 to 50 percent for higher earners.¹⁶ These denied applicants suffered great economic harm from their disability but nevertheless didn't qualify for benefits.

FIGURE 2

Disability Insurance Beneficiaries—and Even Rejected Applicants—Have Limited Work Capacity



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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Health and Mortality Improvements Aren't Equally Shared

Since SSA first issued the vocational regulations in 1978, there have been significant changes in the health of the population, the education and skills of the workforce, and the characteristics of jobs in the economy. Determining whether and how these developments should affect the assessment of vocational factors for DI applicants is the question that SSA aims to address.

¹⁶ Alexander Strand and Brad Trenkamp, “When Impairments Cause a Change in Occupation,” *Social Security Bulletin*, Vol. 75 No. 4, 2015, <https://www.socialsecurity.gov/policy/docs/ssb/v75n4/v75n4p1.html>. The sample consisted of applicants aged 27–55 in 2005 (the year of denial) who didn't appeal to an administrative law judge, and who didn't have a previous or subsequent DI application. Arguably, these sample restrictions ended up focusing on the most “able” of applicants denied at this final step. The study followed them for six years, through 2011.

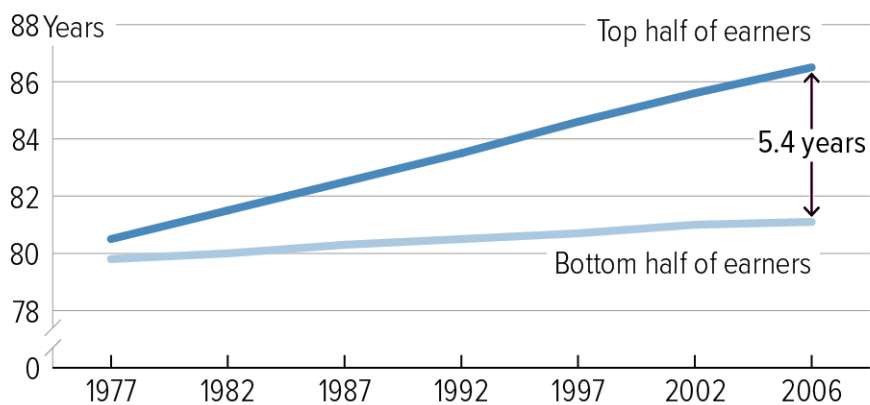
In 2005, SSA proposed to adjust the vocational factors by adding two years to the various age thresholds; for example, the criteria now applying to workers aged 50-54 would instead apply to those aged 52-56.¹⁷ SSA withdrew the proposed rule in May 2009 because of negative public comments.

SSA’s initial justification for the change was partly based on inadequate data. Said SSA, “Advances in medical treatment and healthcare have provided longer life expectancies and more healthy years for millions of Americans.” Since then, however, evidence has piled up that the gains in life expectancy are concentrated among people with higher socioeconomic status.¹⁸ (See Figure 3.)

FIGURE 3

Life Expectancy Rising Faster for Higher Earners

Life expectancy of male Social Security-covered workers at age 65



Source: Hilary Waldron, “Trends in Mortality Differentials and Life Expectancy for Male Social Security-Covered Workers, by Socioeconomic Status,” *Social Security Bulletin*, Nov. 2007.

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¹⁷ Social Security Administration, Notice of Proposed Rulemaking, “Age as a Factor in Evaluating Disability,” *Federal Register*, November 4, 2005, <https://www.federalregister.gov/articles/2005/11/04/05-21975/age-as-a-factor-in-evaluating-disability>. The proposed rule was eventually withdrawn; see <https://www.federalregister.gov/articles/2009/05/08/E9-10733/age-as-a-factor-in-evaluating-disability>.

¹⁸ Hilary Waldron, “Trends in Mortality Differentials and Life Expectancy for Male Social Security-Covered Workers, by Average Relative Earnings,” Social Security Administration, ORES Working Paper No. 108, October 2007, <https://www.ssa.gov/policy/docs/workingpapers/wp108.html>. In that and numerous subsequent papers (listed at <https://www.ssa.gov/policy/authors/WaldronHilary.html>), Waldron focused on male workers by earnings, using SSA wage data. A 2011 report by the National Academy of Sciences compared mortality trends in the United States and other advanced countries, including the role of inequality — educational, racial, and geographic; Chapter 9, “The Role of Inequality,” in *Explaining Divergent Levels of Longevity in High-Income Countries*, National Academy of Sciences, 2011, <http://www.nap.edu/catalog/13089/explaining-divergent-levels-of-longevity-in-high-income-countries>. A recent report focused on widening disparities in longevity by income; *The Growing Gap in Life Expectancy by Income: Implications for Federal Programs and Policy Responses*, National Academy of Sciences, 2015, <http://www.nap.edu/catalog/19015/the-growing-gap-in-life-expectancy-by-income-implications-for>.

SSA's 2005 proposal also contained a fundamental — but common — logical flaw. “Not only are Americans living longer,” SSA said, “but there is clear and overwhelming evidence that the average health of the elderly population is improving.” But as two of my colleagues noted then, “[s]tudies finding that Americans on average are healthier at a given age than Americans were a few decades ago are not relevant, however, to those individuals who are not healthy at these ages.” Averages are misleading when health status and activity limitations vary sharply by socioeconomic group.¹⁹ Scholars at the National Bureau of Economic Research have described “the existence of substantial health differences by level of education, the persistence of these differences between ages 50 and 90, and the consequences of these differences for mortality.” Much — but not all — of the health difference by racial/ethnic groups reflected differences in education, they found.²⁰

Likewise, gerontological researchers found large disparities in functional status and self-reported health, using education as their socioeconomic variable; generally, people with college degrees delayed the onset of poor health and activity limitations by roughly 20 years compared to those with only a high-school diploma and by 30 to 40 years compared to high-school dropouts.²¹ While the percentage of high-school dropouts will fall precipitously among the future elderly, educational advancement, especially among men, has otherwise slowed.

Should the Vocational Guidelines Be Revised?

Changes in the use of the word “disability” have created some misunderstanding about Social Security Disability Insurance. For many years, analysts carefully distinguished between the presence of a physical or mental impairment and the work disability or incapacity that might — or might not — result from it.²² The Americans with Disabilities Act (ADA) of 1990, in contrast, essentially uses “disability” as a synonym for “impairment.” DI and the ADA serve two complementary but distinct purposes. DI is designed to provide partial compensation to workers who develop a physical or mental impairment that, in light of their other circumstances, significantly curtails their capacity to earn a living. The ADA aims to make society more open and inclusive so that impairments are less likely to result in inability to work.

The Social Security Act explicitly recognizes that the ability of severely impaired workers to switch to another occupation — even at a big cut in pay — is hampered by advanced age, limited education, and lack of transferable skills. The medical-vocational guidelines aim to ensure consistency in how SSA weighs those factors. They strike a balance between an approach that's purely medical (which would violate congressional intent and disregard decades of research about disability) and one that's wholly individualized (which is impractical in a program as large as DI).

¹⁹ Arloc Sherman and Eileen Sweeney, “Social Security Administration Proposal to Revise Disability Determinations Is Not Justified,” Center on Budget and Policy Priorities, April 18, 2006, <http://www.cbpp.org/research/social-security-administration-proposal-to-revise-disability-determinations-is-not>.

²⁰ Florian Heiss, Steven Venti, and David Wise, “The Persistence and Heterogeneity of Health Among Older Americans,” NBER Working Paper No. 20306, July 2014, <http://www.nber.org/aginghealth/2015no1/w20306.html>.

²¹ Anna Zajacova, Jennifer K. Montez, and Pamela Herd, “Socioeconomic disparities in health among older adults and the implications for the retirement age debate: a brief report,” *Journals of Gerontology, Series B, Psychological Sciences and Social Sciences*, 2014, <http://psychogerontology.oxfordjournals.org/content/69/6/973.full.pdf+html>.

²² Saad Nagi, *Disability and Rehabilitation: Legal, Clinical, and Self-Concepts and Measurement*, Columbus: Ohio State University Press, 1969.

SSA is asking if it needs to revise the medical-vocational guidelines, and, if so, how, in light of recent social and economic developments. The shift to jobs that emphasize “mind over muscle” generally bodes well for the future employment of older workers, according to Urban Institute researchers. They nevertheless caution that “[c]ognitively demanding work may be better suited for older people than physically demanding work, but probably not for those with limited education.”²³

The economy is also becoming more competitive and less forgiving, as economist Van Doorn Ooms wrote nearly two decades ago. Firms in the future would have less leeway to make accommodations for impaired workers when it didn’t produce economic returns, he predicted, but the cost of discriminating against skilled workers with impairments would increase.²⁴ That seems to have happened. Boston College researchers find that job opportunities narrow as workers age; while opportunities for older workers have grown since the late 1990s, the gains have gone primarily to better-educated workers.²⁵ Thus, although the grid’s “milestone” ages — 50, 55, and 60 — are admittedly arbitrary, older workers with ill health and poor education face steep obstacles in switching to other work.

A recent review of the literature found little evidence that supports the exact ages and other screens now cited in the vocational regulations but also concluded that expecting any such specific answers would be unrealistic. “Past studies have found evidence that address questions of indirect relevance to the use of the vocational factors, but it is unreasonable to expect such studies to provide a strong foundation for changes in the consideration of the vocational factors in the disability determination process.”²⁶ The studies cited above tend to suggest that DI does a fairly good job in assessing whether applicants could indeed support themselves by working. They indicate that the current criteria are strict, and even most denied applicants fare poorly in the labor market. Policymakers may decide that DI’s eligibility criteria should be stricter, but should recognize that this would mean hardship for rejected applicants and would especially affect minorities and people with lower socioeconomic status. I look forward to the insights that participants in today’s forum will offer on these issues.

²³ Richard W. Johnson, Gordon B. Mermin, and Matthew Resseger, “Employment at Older Ages and the Changing Nature of Work,” Urban Institute, 2008, <http://www.urban.org/research/publication/employment-older-ages-and-changing-nature-work>.

²⁴ Van Doorn Ooms, “A View from Business,” in Virginia P. Reno, Jerry L. Mashaw, and Bill Gradison, *Disability: Challenges for Social Insurance, Health Care Financing, and Labor Market Policy*, Washington: National Academy of Social Insurance, 1997.

²⁵ Matthew S. Rutledge, Steven A. Sass, and, and Jorge D. Ramos-Mercado, “How Does Occupational Access for Older Workers Differ by Education?,” Center for Retirement Research at Boston College, Working Paper 2015-20, 2015, <http://crr.bc.edu/working-papers/how-does-occupational-access-for-older-workers-differ-by-education/>.

²⁶ David R. Mann, David C. Stapleton, and Jeanette de Richemond, “Vocational Factors in the Social Security Disability Determination Process: A Literature Review,” Mathematic Policy Research, DRC Working Paper 2014-07, 2014, <http://www.mathematica-mpr.com/our-publications-and-findings/publications/vocational-factors-in-the-social-security-disability-determination-process-a-literature-review>.