



Contents lists available at ScienceDirect

The Journal of the Economics of Ageing

journal homepage: www.elsevier.com/locate/jjeoaVocational considerations and trends in Social Security Disability[☆]Amanda Michaud^{a,*}, Jaeger Nelson^a, David Wiczer^b^a Indiana University, United States^b Federal Reserve Bank of St. Louis, United States

ARTICLE INFO

Article history:
Available online xxxxx

JEL classification:
E62
I13

Keywords:
Disability Insurance
Vocational criteria
Demographic decomposition

ABSTRACT

Along with health, Social Security Disability Insurance (SSDI) evaluates work-limiting disability by considering vocational factors including age, education, and past work experience. SSDI determinations based on these factors have grown threefold since 1985. We use a unique state-level data-set to estimate how vocational demographics relate to SSDI awards and then assess the contribution of demographic change to SSDI trends. Although workers in their 50s are associated with higher SSDI award rates, secular increases in educational attainment should have offset the impact of population aging on rising SSDI claims, particularly those with vocational considerations.

© 2016 Elsevier B.V. All rights reserved.

Introduction

Social Security Disability Insurance (SSDI) protects workers against the inability to work due to health limitations. Program rules consider that different work options are available to different applicants, even those with similar health limitations. These “vocational” considerations acknowledge that advanced age, poor education, and limited work experience hinder one’s ability to adapt to new work that might accommodate one’s health limitations. Vocational considerations are of growing importance in overall SSDI determinations.¹ Fig. 1 shows the share of awards and denials that have hinged on vocational considerations—where the outcome could have gone in the opposite direction if the applicant had been more or less skilled.² Fig. 2 shows this trend is partly because more applicants reach the vocational consideration stage and partly because of a higher award rate conditional on reaching that stage.

What is unclear is how much of the trend is provided by changes in how the rules are applied, the underlying demographics of the workforce, or changes in which demographics choose to apply. Disentangling the contributions of these forces is needed to gain insight into the solvency of the fund and to better understand labor market trends in general.

In this paper, we use a unique data set providing cross-state variation to estimate the relationships between demographics and SSDI claims and determinations. We then evaluate the contribution of changing demographics to trends in these SSDI measures over the past three decades, holding these relationships fixed. We focus on demographics explicitly conditioned upon at the vocational stage of the claim evaluation: age and education. This stage is increasingly prominent, as the share of determinations and awards with vocational considerations is rising. Furthermore, a focus on vocational factors is well-suited for this type of exercise. Age and education are objectively measured and acceptance criterion based on a vocational grid provides guidelines for leniency along these dimensions. As such our work is distinct from prior work focusing on health.

Our main finding is that mechanical changes in the composition of age, education, and occupation demographics of the workforce have nearly zero impact on SSDI trends. While the aging population would predict an increase in SSDI, the changing education and occupational composition works in the opposite direction. We interpret this as suggestive evidence that in order for a demographic explanation to be valid there must have been a change in the association between demographics and SSDI application and award behavior. We look for clues as to why this relationship

^{*} The authors thank Joel A. Feinleib at the SSA Advisory Board as well as the SSA for data on vocational acceptances. Thanks also to James D. Eubanks and the ALFRED team for valuable research assistance and help with digitization of SSA data and to ShinHyuck Kang. The views expressed herein are those of the authors and do not necessarily reflect the views of the Federal Reserve System, the Boards of Governors, or the regional Federal Reserve Banks.

^{*} Corresponding author.

E-mail addresses: ammichau@indiana.edu (A. Michaud), jaegnels@indiana.edu (J. Nelson), wiczerd@stls.frb.org (D. Wiczer).

¹ Throughout the paper we consider decisions on first-time claims, not appeals.

² We refer to awards/denials/determinations as “vocational” awards/denials/determinations if they occur at the vocational stage (and hence have vocational considerations).

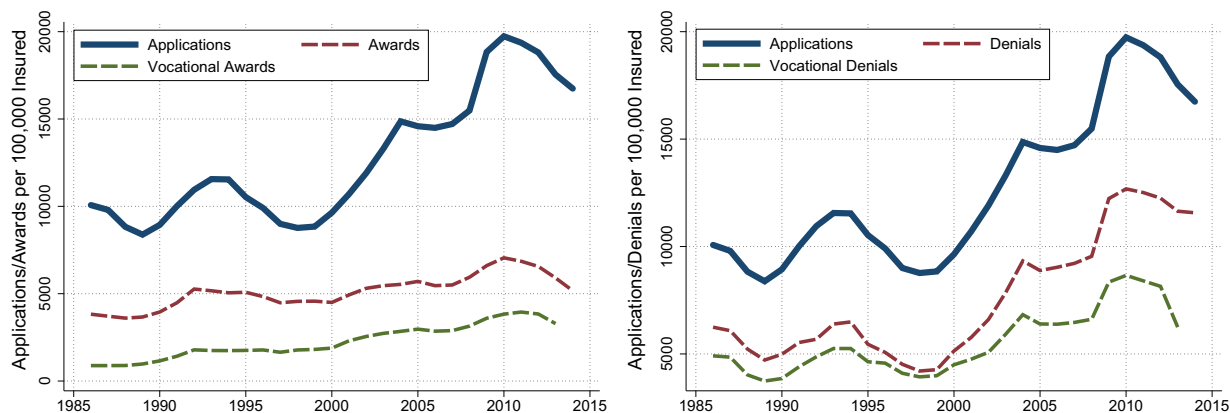


Fig. 1. The contribution of vocational considerations to awards and denials. (Author's calculations from *Of Trustees (2000–2016)* and data provided to author's by Social Security Advisory Board).

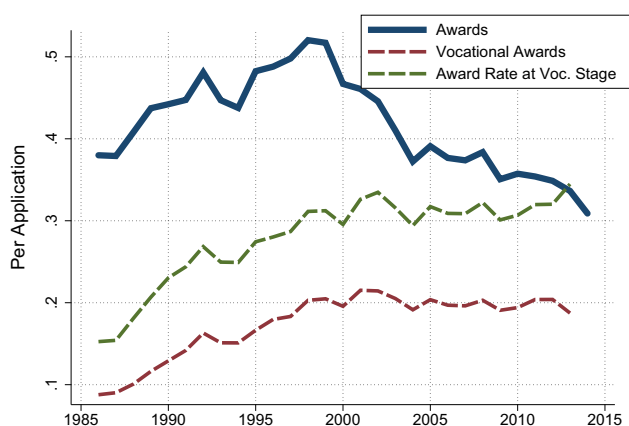


Fig. 2. The contribution of vocational considerations to awards per application. (Author's calculations from *Of Trustees, 2000–2016* and data provided to author's by Social Security Advisory Board).

may have changed by identifying the states which have award rates much higher or lower than predicted by their demographics. Some of this variation may be due to regional economic conditions and cross-state variation in awards leniency. More research is required to ascertain the quantitative importance of such factors alongside health factors affecting medical awards (those without vocational considerations) which we do not study.

The extensive procedure through which SSDI applications are evaluated is discussed in detail in Section “SSDI determination procedure”. It can be summarized as operating in three sequential stages: (1) eligibility, (2) medical, and (3) vocational. Claims are awarded at either the medical or vocational stage. Our findings for the importance of the three vocation-relevant demographics we consider: (i) age; (ii) education; and (iii) occupation, are as follows. The key age demographic associated with increased SSDI applications and vocational allowances at the national level is the 55–59 year-old age group. This group has the largest positive relationship with new applications and awards per capita (and also denials per capita as well). The same is true for vocational awards even though individuals aged 60–64 face more generous SSDI rules at the vocational stage. This suggests 55–59 is the pivotal age of entry contributing to the stock of individuals on SSDI. With regard to education, increased high school attainment diminishes the number of awards by lowering the application rate and increasing the denial rate at the vocational stage. This is aligned with the intent of the vocational rules. Finally, the effects of occupation

differs in nuanced ways across age and education groups. In summary, our main result that demographics played no role in SSDI trends can be understood through the competing factors of age and education. While it is true that the baby-boom cohort has increased the share of workers over 50, the increased education of this cohort compared to previous ones offsets the contribution of their sheer size to SSDI trends. Occupational changes have almost no additional contribution.³

A second puzzle that emerges from our analysis concerns the increase in the award rate of applications reaching the vocational stage, particularly from 1985 to 2000. During this period there has been a secular increase in educational attainment of the workforce while education, according to the vocational grid, expands the types of work individuals can be expected to adapt to. Thus, higher education should lower the award rate at the vocational stage. Motivated by this contrast, we explore variation in SSDI application and award rates across states to better understand the vocational stage. In particular we decompose variation in awards per working-age capita into variation in overall applications, applications reaching the vocational stage, and the award rate at the vocational stage. The variation in total applications is the primary driver in the variation in vocational allowances across states followed by the variation in the conditional acceptance rate at the vocational stage, accounting for 61% and 35% of the variation respectively. Digging deeper, we find states' total number of determinations is negatively correlated with their overall allowance rate, but positively correlated with their acceptance rate at the vocational stage. This suggests that high application states screen applicants out prior to reaching the vocational stage.

Interpreting causal relationships, however, requires further research. We cannot tell whether a high acceptance rate of applications reaching the vocational stage is a result of leniency— that states implement national rules with different standards. If implementation does differ, we cannot tell whether it also affects application rates. Nor can we tell whether states simply differ systematically in the joint distribution of health and vocational characteristics. The relationships identified in this paper motivate further research into these questions. We compare states' observed determinations with vocational considerations to those predicted by demographics as a first step in identifying common characteristics in high-award states to guide this research. Many such states

³ Although we do not study health directly, it should be noted that the conventional wisdom that occupations detrimental to one's health are in decline is not necessarily true. [Michaud and Wiczer \(2014\)](#) show health occupations have high risk of disability and [Michaud and Wiczer \(2016\)](#) shows that some these occupations have been growing rapidly.

Download English Version:

<https://daneshyari.com/en/article/7359988>

Download Persian Version:

<https://daneshyari.com/article/7359988>

[Daneshyari.com](https://daneshyari.com)