

Study finds much different work histories for disability rejects, beneficiaries

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Male disability applicants rejected for federal benefits tend to have lower earnings and labor force participation rates over the decade prior to applying for federal disability benefits, a new study finds.

Rejected applicants also work less despite being in [better health](#) than accepted applicants, according to the research led by [economist](#) Seth Giertz of the University of Nebraska-Lincoln.

On average, the study found, those rejected for benefits made 8.5 percent less than beneficiaries six years before applying – and nearly 22 percent less just prior to application. Also, applicants who were rejected left the workforce faster as their application dates approached than those who were approved for benefits.

The findings suggest that many of the rejections may have been because applicants were not entirely motivated by health reasons when seeking disability.

"This adds to a growing literature suggesting that financial factors may be a driving factor in a large number of disability applications," said Giertz, assistant professor of economics at UNL. "Federal disability programs have undergone tremendous growth in recent decades and appear to be discouraging able-bodied adults from staying in the labor force."

The work sheds light on the efficacy of the government's disability

screening process by factoring in applicants' pre-application work characteristics, and implies that rejected and accepted disability applicants have much different labor-market experiences before applying. Most notably, the rejected applicants were worse-off economically – consistent with other research examining disability claims for those in declining industries.

On a positive note, the study suggests that the screening process does, at least to a certain degree, separate out those applicants partially motivated by economic considerations from those facing more severe health issues.

"However, the rapid growth of the program over a period where health has improved and jobs have become less physically demanding suggests that the system is broken and in need of reform," Giertz said. "Without changes, the federal disability programs are on a fiscally unsustainable path. For some, disability may be becoming a transition to retirement.

"This 'early retirement option' will be more appealing to people with fewer or declining economic opportunities – such as those in in industries experiencing a negative economic shock."

Applications to U.S. federal disability programs have grown considerably in recent decades. In 2005, more than 2.12 million people applied for benefits from the Social Security Disability Insurance program, while the Supplemental Security Income program received nearly 1.1 million applications. For the former, that's more than five times the number of applications in 1960 and almost twice its 1990 levels.

For their analysis, the economists examined the behavior of respondents in the Health and Retirement Study who were linked to Social Security [earnings](#) records. That analysis also produced these findings:

- Nearly 77 percent of applicants with less than a high-school diploma were eventually accepted, the highest rate of any education group.
- Those ages 31 to 40 were the most likely to be accepted, at 86.5 percent, followed by ages 41 to 50, at 77.4 percent.
- Accepted applicants were more likely to have heart, circulatory or blood conditions, but many of the other health conditions had similar acceptance rates.

"The direct fiscal stress resulting from the growth in federal disability benefits is exacerbated by the fact that disability beneficiaries become eligible for either Medicare or Medicaid, the two programs at the heart of the nation's long-term fiscal problems," Giertz said.

More information: The research, co-authored by economics professor Jeffrey Kubik of Syracuse University, appears in the current edition of the *Journal of Labor Research*.

Provided by University of Nebraska-Lincoln

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