

Explaining the Rapid Growth in Social Security Disability Insurance Rolls

Over the last 30 years the number of disabled workers who received benefits from the Social Security Disability Insurance (SSDI) program increased nearly threefold, rising from 2.9 million in 1980 to 8.6 million in 2011. Although population growth explains some of this increase, SSDI caseloads as a share of the working age population (20-64) have also risen rapidly (Figure 1). Growth in the program has put considerable pressure on program finances. Absent policy action, the SSDI program is projected to be insolvent by 2016 according to projections from the Social Security Board of Trustees and the Congressional Budget Office.

A number of factors have contributed to the rise in SSDI caseloads as a share of the working age population. Some of these were one-time events that pushed up growth temporarily but will not result in additional growth going forward. These include the increase in the Social Security normal retirement age,¹ the aging of the population, and the increase in labor market attachment of women. We estimate that together these factors account for about 56 percent of the growth in SSDI caseloads pictured in the blue line Figure 1.

Our estimate comes from the following accounting exercises and contributions of each factor are displayed in Figure 2.²

The normal retirement age (NRA) for Social Security benefits gradually increased from 65 to 66 beginning in 2003. Attributing all of the increase in disability benefit receipt among workers age 65 to this change, we find the NRA accounts for about 9 percent of the SSDI caseload growth since 1980.

Since health and functioning decline with age, the aging of the population can have a large effect on caseload growth. To quantify this effect, we do a simple accounting exercise that holds disability prevalence rates fixed at 1980 levels for detailed gender/age groups and simulates caseload growth based on changes in associated population shares. We find that the aging of the population accounts for about 18 percent of the growth in SSDI caseloads since 1980.

Because workers must have substantial work history to receive SSDI benefits, greater women's labor market attachment has increased the share of the population eligible for benefits. Again holding disability prevalence rates constant at 1980 values, we find that increased women's eligibility for SSDI explains about 16 percent of the caseload growth since 1980. This likely understates the full impact of women's eligibility on caseload growth because disability benefit receipt among women in 1980 was well below that of men. Substituting male disability

¹ This particular "one-time event" will occur again in the next decade as the Social Security retirement age increases from 66 to 67. In calling it a one-time event we simply mean that it is a discrete event which has already occurred.

² All calculations represent the contributions to growth in SSDI caseloads as a share of the working age population. We do not include interaction terms between factors in our analysis.

prevalence rates in 1980 for those of women (labeled “prevalence catch-up” in Figure 2), we find that increased labor force attachment of women accounted for 29 percent of SSDI caseload growth since 1980.

Our decomposition of SSDI caseload growth over the past three decades indicates that about 56 percent of the total growth in SSDI caseloads can be attributed to a series of one-time transitory factors that have largely run their course and are unlikely to put additional pressure on SSDI caseloads going forward.

Of course, this leaves 44 percent of SSDI growth unaccounted for by transitory factors (“residual” growth in Figure 2), but rather explained by increases in disability benefit receipt across a broad range of gender/age groups. As the orange line in Figure 1 shows, this unexplained portion of SSDI caseload growth has been rising nearly continuously since 1990 and shows no signs of slowing. Understanding and addressing this portion of SSDI growth is a key issue facing policymakers looking to craft solutions to the impending insolvency of the SSDI program.

Mary C. Daly,* Federal Reserve Bank of San Francisco

Brian Lucking,* Federal Reserve Bank of San Francisco

Jonathan Schwabish,* Congressional Budget Office

*The views in this summary are those of the authors and should not be considered those of the Congressional Budget Office, the Federal Reserve Bank of San Francisco, or the Board of Governors of the Federal Reserve System.

Figure 1. Disabled Workers per 100 Working-Age (20-64) People

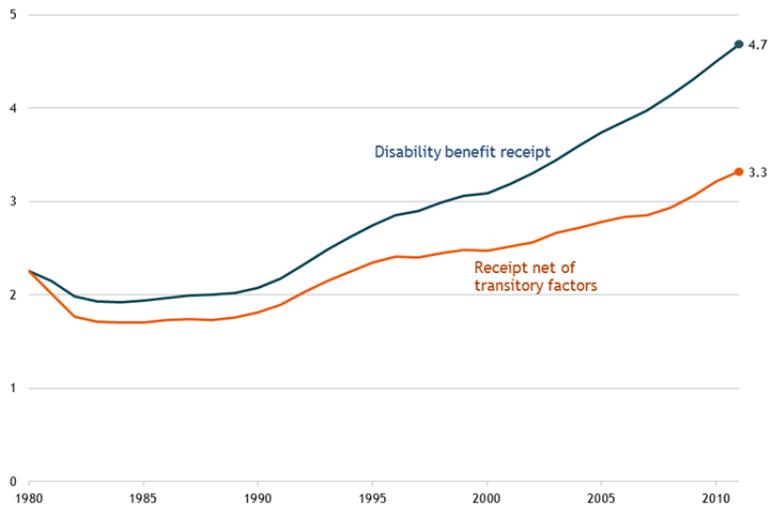
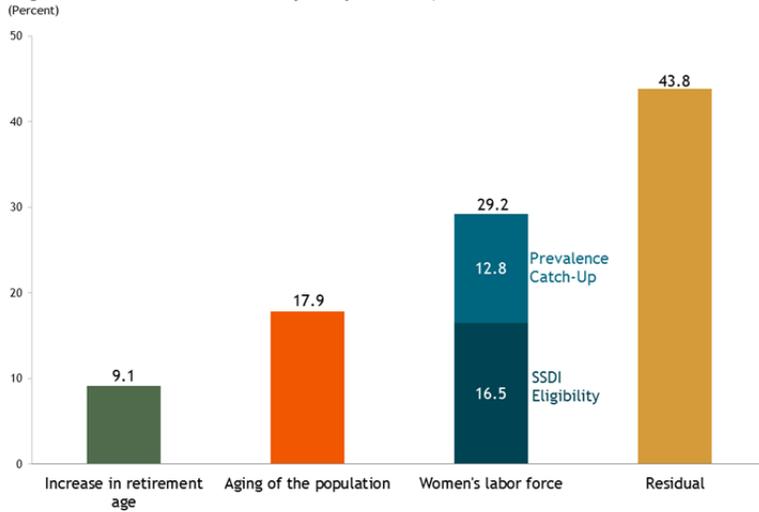


Figure 2. Sources of SSDI Recipiency Growth, 1980-2011



Source: SSA Annual Statistical Supplement, Bureau of Labor Statistics, and authors' calculations

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