

Discussion of:  
*The Effect of Job Displacement on  
DI Claims and Awards Over the Business Cycle*

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BOB WEATHERS, SOCIAL SECURITY ADMINISTRATION

AUGUST 1, 2018

# Key Preliminary Findings and Caveats

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## Key Findings:

Provides some preliminary evidence that workers impacted by mass layoffs have higher application and awards rates than similar workers who are not directly impacted

The effect changes over time, and appears correlated with the cost of job loss and the relative generosity of the program

## Caveats and Possible Extensions:

Is the construction of the counterfactual reasonable? Need to see more in the presentation that supports the “key assumption” as well as sensitivity analyses

Presentation should use “comparison group” instead of “control group” to clarify non-experimental design

Might be useful to examine the effect on the allowance rate (awards/applications)

## Why Examine Factors Related to DI Applications and Awards?

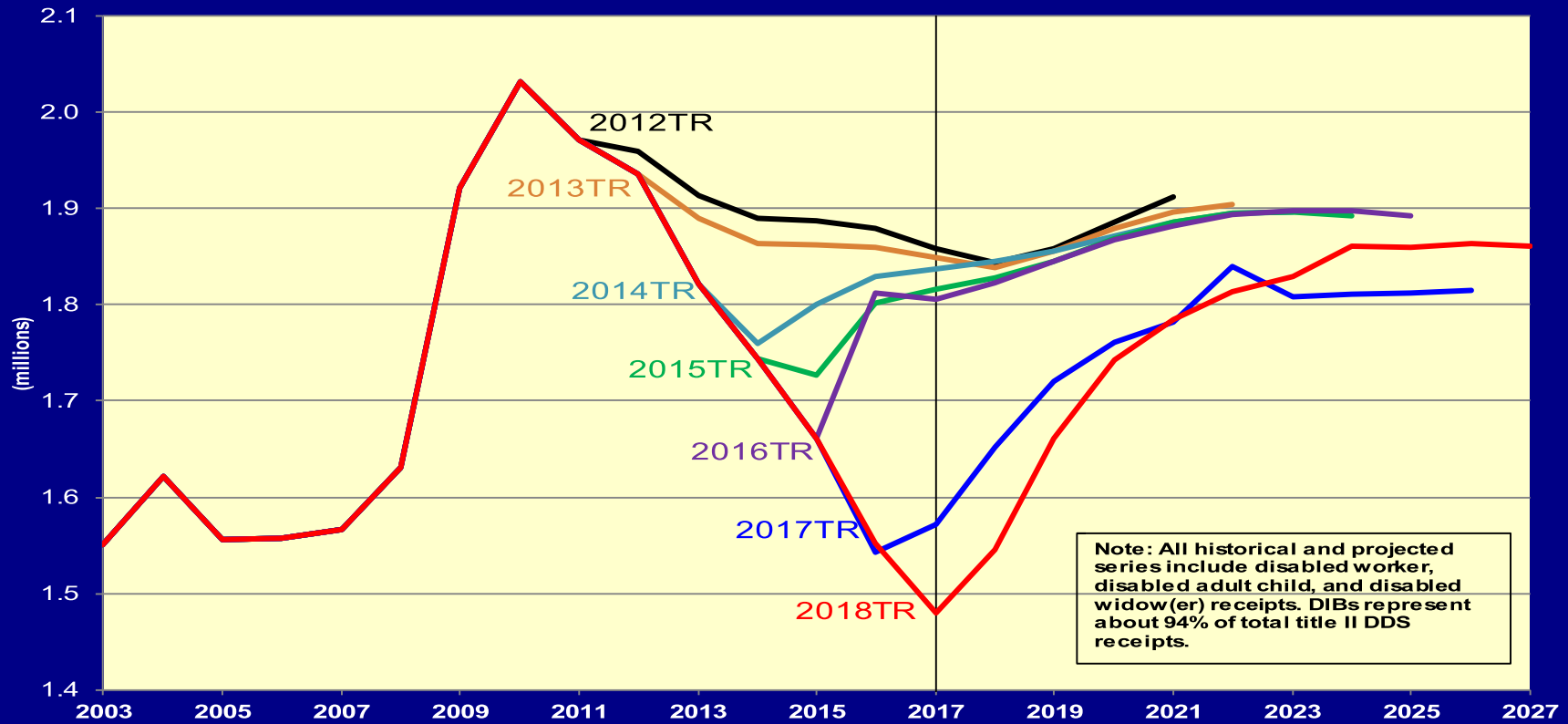
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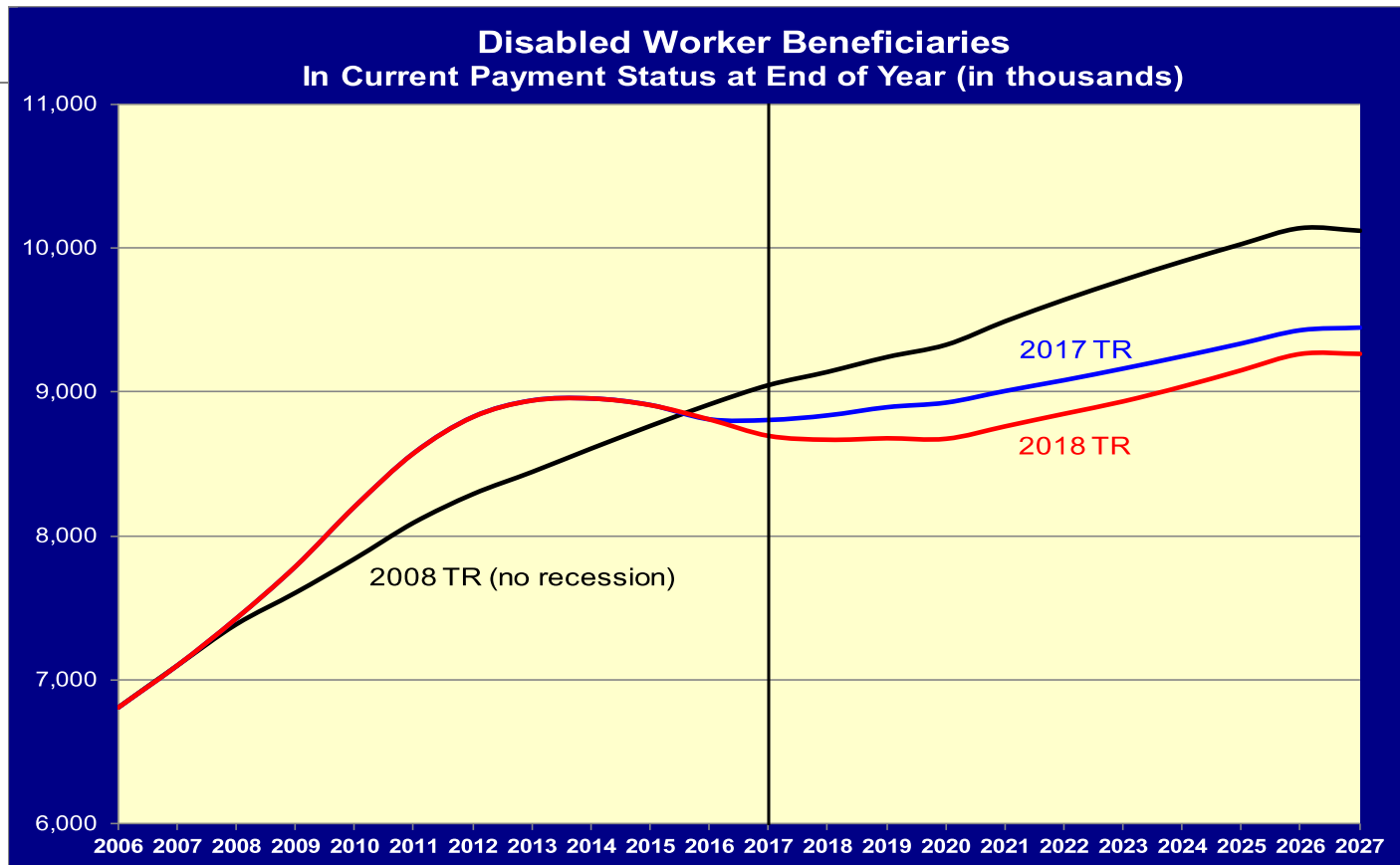
Improve information base for DI projections

Assess whether the program is working as intended

Identify potential policy changes

### Total Social Security Disability Receipts at Disability Determination Services by Calendar Year: Historical and Intermediate Assumptions for 2012 through 2018 Trustees Reports





# Possible Explanations

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Some combination of:

- Economy and labor market—*temporary*
- Drop in hearings level allowance rates—*temporary?*
- Increased health care (ACA)
- Field office consolidations
- Attorney representation
- Something more fundamental?

Reasons and relative magnitudes are important for understanding:

- Influence on DI projections and the financial status of the OASDI program
- Possible disability policy improvements

## (2) Is the DI Program Working as Intended?

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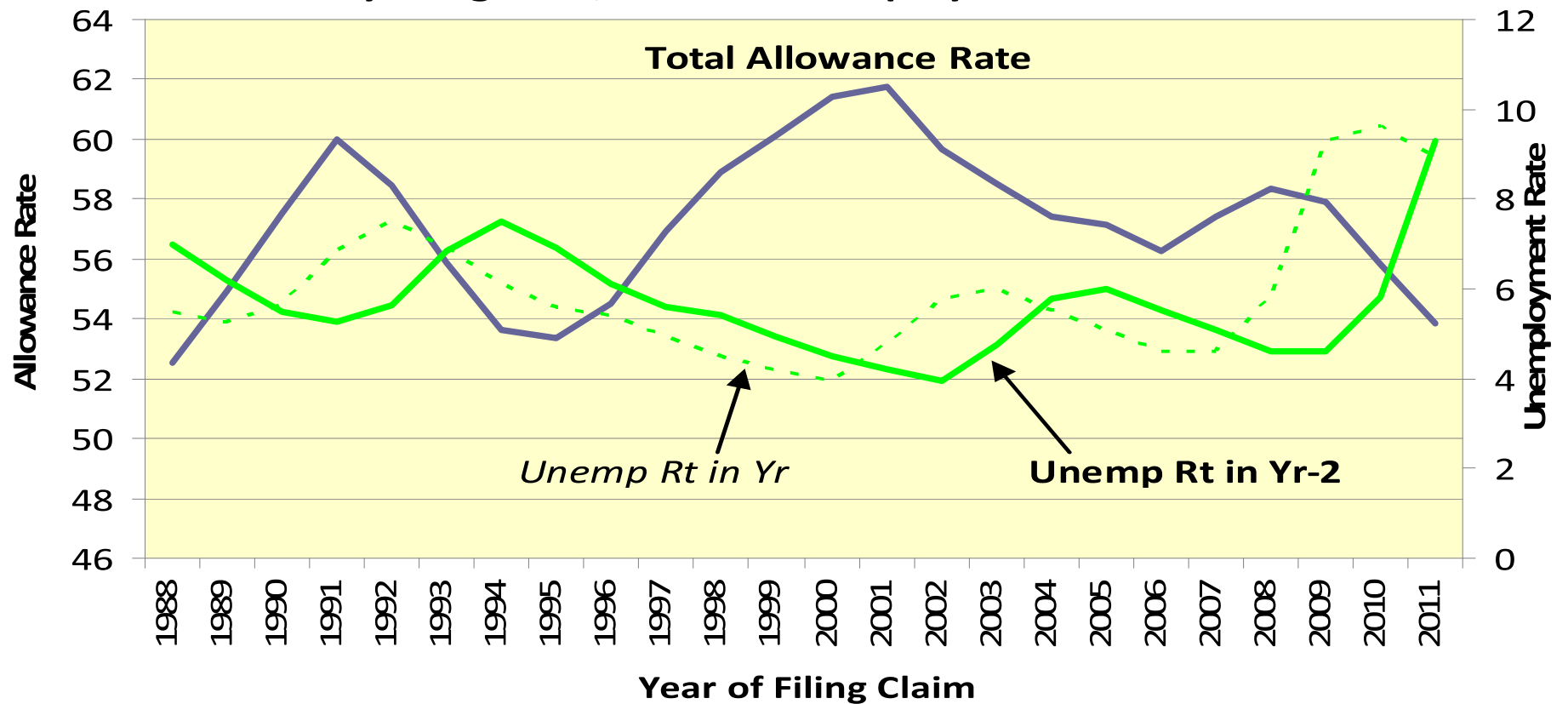
Issues that might be further explored in the paper:

- Identification of SSA disability not simple, requires evaluation of medical evidence and work capacity to arrive at a yes or no decision
- Might be some concern if the effect on awards rate matched application rate
- Would be very useful to examine the effect on the allowance rate (awards/applications)

Paper might also discuss implications of potential changes to the program:

- GAO has recommended modernizing disability policy
- SSA updating the occupational information used for making disability determinations

**Figure 1. Ultimate Allowance Rate for Disabled-Worker DDS Claims by Filing Date, Versus Unemployment Rate in Year-2**



Source: Actuarial Note #153 "Disabled Worker Allowance Rates: Variation Under Changing Economic Conditions"



## (3) Disability Policy: Reducing Human Capital Loss

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Disability application and appeals process can take 1 to 2+ years

- Many applicants are not working to support their disability claim
- Long periods out of the labor market may lead to decay in human capital

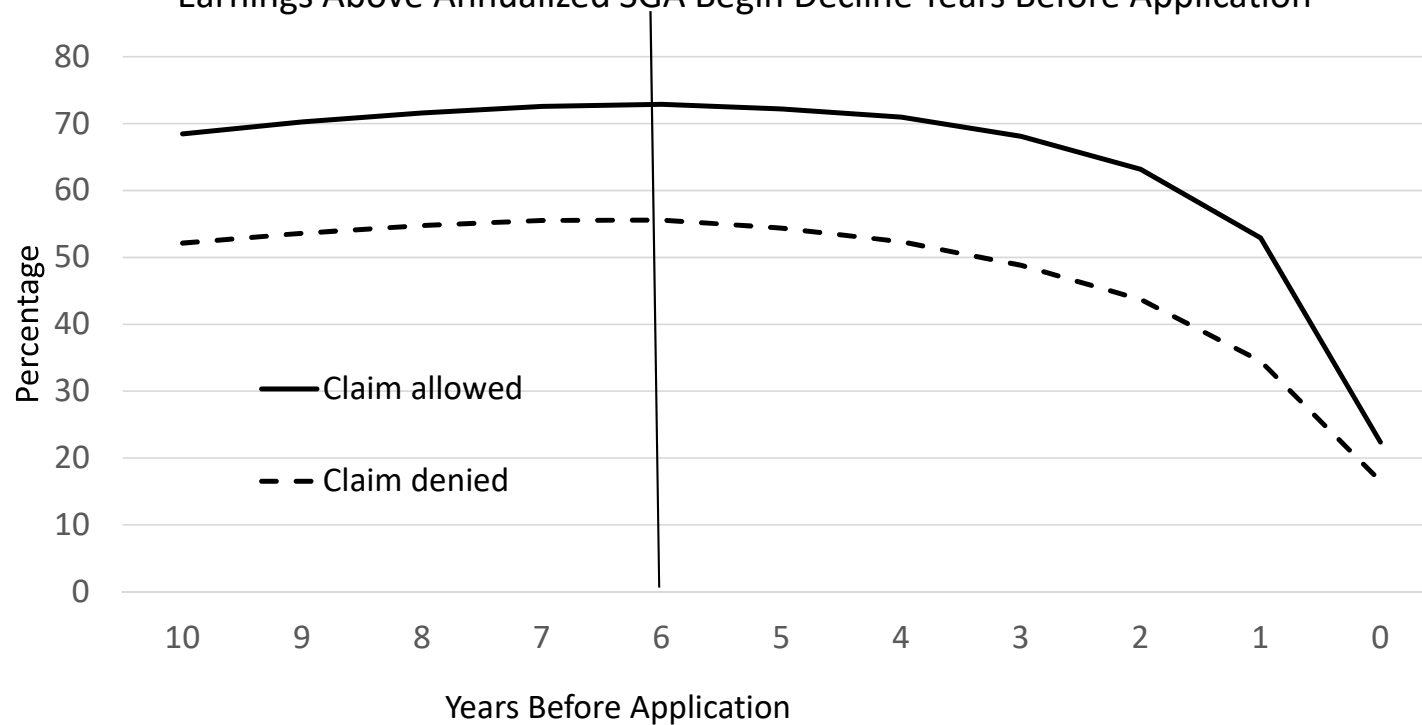
Evidence that denied face challenges re-entering the labor market

- Autor, Maestas, Mullen, and Strand (2017) “Does delay cause decay”

What to do? Maybe additional employment support for:

- Displaced workers and others prior to disability application?
- Applicants after an initial state DDS denial?
- Denied disability applicants?

The Case for Employment Support prior to Application:  
Earnings Above Annualized SGA Begin Decline Years Before Application



Source: Jackson Costa (2017) "The Decline in Earnings Prior to Application for Disability Insurance Benefits," *Social Security Bulletin*, Vol. 77, No. 1.

# Conclusions

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Research addresses an important issue, and results will be informative to assessing both DI projections and disability policy

Innovative use of administrative records

Preliminary results show some effects, but I have some concerns about the construction of the counterfactual and the sensitivity of the findings to alternative specifications

It might also be useful to examine effects on the allowance rate: Is it lower for displaced workers?

The presentation represents a really good first step, I look forward to seeing additional results in the future