Assessing Systematic Differences in Industry-Award Rates of Social Security Disability Insurance

TILL VON WACHTER

In most past research on the determinants of SSDI application and enrollment, the focus is on the characteristics and incentives of individuals, rather than their employers. Yet employers also face important incentives to influence and potentially to raise SSDI application and award rates of their employees. For example, SSDI enrollment by individuals previously working at a firm may be a means to lower the firm’s health insurance costs, or to ease the transition out of the labor force of less healthy, less productive, or more expensive workers. The incentives of firms to exploit a social insurance system whose costs are borne by society are explicitly recognized in the Unemployment Insurance (UI) system, which bases UI taxes in part on UI claims. There is no similar experience rating in the SSDI program.

Even if firms do not explicitly manipulate the SSDI claims of their workers, it might still be that there are differences in disability rates by firm, industry, or occupation. These may arise from differences in work environments, the riskiness of the job, or workplace safety, for example. If there is systematic variation in SSDI enrollment across firms, industries, or occupations, it raises the question of whether SSDI should require firms or workers to bear some of the varying costs to the program they impose.

In this study, we look at how SSDI award rates vary across industries and occupations, using survey data from the March Current Population Survey (CPS). The CPS is a useful data source for this purpose, because it combines large sample sizes with information on industry and occupation status, various measures of receipt of SSDI, and detailed demographic information on workers. Moreover, since individuals can be matched across surveys, the CPS allows us to construct actual transition rates into SSDI. This combination of features is important for the analysis and not available in alternative survey or administrative data. We find that the CPS-based measures of the rate of incidence and new awards of SSDI closely match comparable measures of the incidence of SSDI from administrative data. The rate of incidence and new awards of SSDI also vary with age, education, race, and marital status as expected.

Our key finding is that SSDI award rates differ significantly across major industries, irrespective of what measure of SSDI receipt we use. For example, using our preferred definition, the SSDI inflow rate is 0.16% from construction, 0.25% from manufacturing, 0.27% from financial activity, 0.41% from professional and business, 0.44% from education and health services, 0.53 percent from leisure and hospitality, and 0.55% from wholesale and retail. The standard deviation of industry award rates is about half the average SSDI award rate. These industry variations remain, even if one controls for differences in worker composition across industries.

The full working paper is available on our website, [www.nber.org/programs/ag/rrc/books&papers.html](http://www.nber.org/programs/ag/rrc/books&papers.html) as paper NB12-13.

TILL VON WACHTER is an Associate Professor with tenure at UCLA and an NBER Research Associate.

This research was supported by the U.S. Social Security Administration through grant #RRC08098400-04-00 to the National Bureau of Economic Research as part of the SSA Retirement Research Consortium. The findings and conclusions expressed are solely those of the author(s) and do not represent the views of SSA, any agency of the Federal Government, or the NBER.