

Burkhauser and Daly, *The Declining Work and Welfare of People with Disabilities*

With the Social Security Disability Insurance (SSDI) trust fund projected to deplete its reserves in 2016, there appears to be increasing interest in identifying improvements to the program. The McCrary-Pomeroy SSDI Solutions Initiative has commissioned 12 papers that will propose possible solutions; however, many proposals already exist. This brief summarizes one such proposal. You can read the book summary [here](#).

In their 2011 book *The Declining Work and Welfare of People with Disabilities*, Richard Burkhauser of Cornell University and Mary Daly of the Federal Reserve Bank of San Francisco offer several suggestions to improve the Social Security Disability Insurance (SSDI) system.

The authors draw lessons from U.S. welfare reform in the 1990s and the more-recent Dutch disability reform. They look at both as examples of promoting work to reduce costs. U.S. welfare reform learned from state experimentation and program restructuring, while the Dutch reform focused on shifting costs, and therefore incentives, away from the government and onto employers.

Burkhauser and Daly propose two categories of recommendations for improving the SSDI program: improving the Social Security Administration's (SSA) management practices and encouraging employers to retain employees with disabilities by modifying their payroll taxes to include "experience rating."

Recommendation #1 – Improved Management Practices

The authors argue that a number of improvements can be made to the disability determination process and system which would slow the growth in the rolls. For example, they believe Administrative Law Judges (ALJ) and states' Disability Determination Services agencies need standardized eligibility criteria to use as gatekeepers to the system. They also propose changing the appeals system to allow SSA, in addition to the applicant, to provide evidence in an ALJ hearing.

Recommendation #2 – Experience Rating the Payroll Tax

Burkhauser and Daly argue that the best way to slow the growth of the SSDI rolls is to put in place policies which keep partially-disabled workers in the workforce, and especially at their current job. Borrowing from the Dutch model – and from the Unemployment Insurance and Workers' Compensation systems in the United States – the authors propose achieving this by adjusting the payroll tax to encourage employers to retain workers with disabilities when possible.

Specifically, the authors envision a system of "experience-rated" payroll tax rates that would vary based on how many of a firm's workers ended up on the SSDI program. Employers with fewer workers entering the SSDI program would pay a lower tax rate, and those with more workers entering the program would pay a higher rate.

Burkhauser and Daly argue these differential rates would encourage employers to do more to retain workers at risk of becoming disabled, including by offering work accommodations, rehabilitation services, and return-to-work efforts. In the process, they believe the change would both slow the cost growth of SSDI and help people with disabilities attain better economic fortunes.

The authors also identify challenges to the proposal, especially that experience rating might encourage employers to discriminate against hiring workers at the highest risk of developing a disability. However, they both question the likeliness of this concern materializing and argue that it could be mitigated by exempting high-risk employees from the experience-rating pool.

