Disability Benefits Do Not Stop Men from Working
Social Security Beneficiaries, Veterans, and Injured Workers Are Not to Blame for the Decline in Men’s Employment

By Shawn Fremstad and Katherine Gallagher Robbins
May 18, 2017

For most of the past half-century, the share of prime-age men—those ages 25 to 54—in the labor force has been declining slowly but steadily. In the first quarter of 2017, 88.8 percent of civilian prime-age men were in the labor force on average, compared with 96.6 percent in 1967.1

A number of conservatives argue that Social Security—specifically Social Security Disability Insurance (SSDI), which pays benefits to those who cannot work due to a serious medical condition—bears a large portion of the blame. For instance, Nicholas Eberstadt, a political scientist with the American Enterprise Institute (AEI), claims that “collecting disability is an increasingly important profession in America these [d]ays.”2 Media outlets have elevated claims such as these, often in sensationalist and one-sided ways.3 It has even been suggested that benefits for disabled veterans and compensation for workers injured on the job are also contributing to the decline in labor force participation.4

Concern about the long-term decline in prime-age men’s employment is long-standing and legitimate. Researchers have found that the decline is driven, at least in part, by a decline in good jobs for people without bachelor’s degrees as well as overly punitive criminal justice policies.5

But claims that disability benefits play a significant role in the decline of prime-age men’s employment are not well-founded. As detailed further below, a thorough study by economist Jason Furman and his colleagues at the Council of Economic Advisers found that only a tiny sliver—at most about 0.1 percentage point—of the decline in prime-age men’s labor force participation since 1967 can be explained by the modest increase in SSDI receipt. And the number of prime-age men receiving veterans disability or workers’ compensation is down over the past half-century.

The outsize attention to disability insurance distracts from the more fundamental factors behind the decrease in prime-age men’s employment—and from the solutions that would actually help struggling working-class men and women. These solutions include creating
more and better jobs, reforming overly punitive criminal justice policies, and expanding labor market and family supports for workers and job seekers. Instead of taking disability insurance and compensation away from people with disabilities, these real solutions would connect more men and women to good, stable, family-friendly work.

At most, SSDI may have reduced prime-age men's labor force participation by 0.1 percentage point over the past half-century

SSDI, first added during the Eisenhower administration, is one of the main pillars of our Social Security system. Working people earn SSDI coverage in the same way they earn Old-Age Insurance coverage, through their work history and payroll tax contributions. Unlike Old-Age Insurance benefits, which all workers can claim once they reach the minimum retirement age, workers are only eligible for SSDI benefits if they have a medical condition that meets the Social Security Administration's (SSA) strict definition of permanent and total disability.

The percentage of prime-age men receiving SSDI has edged up slightly over time—by 1.5 percentage points between 1967 and 2015. Over the same period, prime-age men's labor force participation rate fell by 8.4 percentage points. Thus, even if one makes the utterly implausible assumption that every new SSDI beneficiary directly and solely caused a labor force exit, at best, SSDI would only explain one-fifth of the decline in prime-age men's labor force participation since 1967.

Pegging SSDI as the source of declining labor force participation is implausible for several reasons. First, among prime-age men who receive SSDI, about 13 percent are in the labor force. This may surprise some given SSDI’s stringent total disability standard. But SSDI also has special work incentive rules that make it possible for people with disabilities to return to work, if able, without immediately losing monthly benefits. Second, labor force participation has declined among prime-age men who are not receiving Social Security. Finally, prime-age men are slightly more likely to be between the ages of 50 to 54 today than they were in 1967, and as a consequence of being older, face a greater risk of disability.

Furman has estimated how much of the decline in prime-age men’s labor force participation can be explained by the modest increase in the share of men receiving SSDI. Accounting for a range of factors, Furman’s best estimate found that SSDI explains a mere 0.1 percentage point of the 8.4 percentage point decrease in prime-age men’s labor force participation over the past half-century. This means that nearly 99 percent of the decline is due to factors other than SSDI.
Veterans disability compensation and other disability benefits do not explain labor force participation decline

Conservatives also suggest that other key disability benefits, including Supplemental Security Income (SSI), veterans disability compensation, and workers’ compensation are significant contributors to the decline in prime-age men’s labor force participation. Again, this simply is not the case.

<table>
<thead>
<tr>
<th>Year</th>
<th>Not in labor force</th>
<th>Social Security Disability Insurance</th>
<th>Supplemental Security Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>3,131,000</td>
<td>1,067,000</td>
<td>763,000</td>
</tr>
<tr>
<td>2015</td>
<td>4,116,000</td>
<td>1,072,000</td>
<td>738,000</td>
</tr>
<tr>
<td>Difference, 1996–2015</td>
<td>985,000</td>
<td>5,000</td>
<td>-25,000</td>
</tr>
<tr>
<td>Percentage difference</td>
<td>31.5%</td>
<td>0.5%</td>
<td>-3.3%</td>
</tr>
</tbody>
</table>

Table 1: More middle-aged men are not in the labor force, but fewer are receiving disability benefits from the Social Security Administration

SSSI is a very modest means-tested benefit, with the average benefit being about $540 a month. The disability test for SSI is the same as for SSDI, but applicants must meet additional income and asset tests. About 1 in 10 disabled SSDI beneficiaries ages 18 to 64 also receive SSI.

Due to data constraints, the discussion of SSI for this brief focuses on men ages 30 to 49, or mid-age men, and looks at the years between 1996 and 2015. It also provides comparable figures for SSDI and labor force participation.

As shown in Table 1, the number of men in this age range—30 to 49—who were not in the labor force increased by nearly 1 million between 1996 and 2015. By comparison, there was hardly any increase in the number of such men receiving SSDI—about 5,500 or 0.5 percent—during that time period. Moreover, there was a decline—about 25,000 or 3.3 percent—in the number of men receiving SSI. Given this, the overall number of men ages 30 to 49 receiving disability benefits—SSDI, SSI, or both—from the SSA has likely declined since 1996. The bottom line: There is no good reason to think SSDI or SSI have contributed to the decline in mid-age men’s labor force participation since 1996.
The vast majority of prime-age male veterans who receive veterans disability compensation, about 64 percent, are in the labor force—not out of it. And among male veterans of the second Gulf War with service-connected disabilities—who are generally eligible for disability compensation—77.9 percent were in the labor force in August 2016. Similarly, nearly 70 percent of prime-age men receiving workers’ compensation are in the labor force. This may be surprising, but unlike SSDI and SSI, workers do not need to have a total and permanent work disability to receive workers’ compensation or veterans compensation. For example, just more than half of male veterans receiving compensation have a disability rating of 40 percent or less; and only 12 percent have a total—100 percent—disability.

Trends across several data sets demonstrate a decline in receipt of workers’ compensation over the past several decades—making it an unlikely candidate for driving a decline in labor force participation. The Current Population Survey (CPS) has tracked workers’ compensation receipt since 1988. Among all prime-age men, about 2.1 percent reported receiving workers’ compensation in 1987; by 2015, only 0.6 percent did.

Workers’ compensation is underreported in the CPS, but the trend seen in the survey is consistent with other estimates. For example, analyst Nick Buffie and economist Dean Baker calculated that the number of workers’ compensation beneficiaries fell by nearly 40 percent between 2001 and 2011. Similarly, according to the National Academy of Social Insurance, the number of workers’ compensation claims per 100,000 insured workers was 56.7 percent lower in 2012 than in 1994.

Similarly, the number of veterans between the ages of 35 to 54 receiving disability compensation is lower today than a half-century ago—about 1.35 million in 1968 compared with 1.21 million in 2015. And, there are almost certainly more women among the 1.21 million veterans receiving compensation in 2015 than there were in 1968. Moreover, in recently published research, Matthew Rutledge and his colleagues found “little evidence that, for a given level of disability, recent cohorts of veterans with disabilities are less likely to work than past cohorts, which were subject to more stringent disability evaluations.” They also documented that “among veterans with the most severe disabilities, those with ratings of 50 percent or greater, employment and labor force participation actually increased relative to nondisabled veterans (and are flat overall).” Thus, it seems unlikely that veterans disability compensation plays any meaningful role in the decline of prime-age men’s labor force participation over the past half-century.
If it’s not disability benefits, what is it?

In its 2016 report, the Council of Economic Advisers concluded: “Reductions in the demand for labor, especially for lower-skilled men, appear to be an important component of the decline in prime-age male labor force participation. … This reduction in demand, as reflected in lower wages, could reflect the broader evolution of technology, automation, and globalization in the US economy.” The Center for American Progress will discuss this and other factors in future reports and briefs—as well as examine trends among women workers, too. But for now, it is informative to look at trends in the reasons men give for not working.

Between 1996 and 2015, the number of men ages 30 to 49 who reported not working during the year increased by about 1.3 million. Figure 1 shows how the reasons men give for not working changed during this period. Over the reviewed time span, the number of men ages 30 to 49 reporting an illness or disability as the reason for not working increased by 12 percent, while the numbers reporting caregiving or school more than doubled. These increases in caregiving and school by men in their 30s and 40s deserve more attention than they have received to date in the media.

FIGURE 1
Among men who did not work during the year, an increasing share are providing care or going to school

Number of men ages 30–49 not working during the year, by reason

Conclusion

The long-term decline in prime-age men’s employment is a well-known and legitimate concern for policymakers. But Social Security, veterans disability compensation, and workers’ compensation are not driving the decline. To the contrary, these earned insurance benefits help workers with disabilities maintain a dignified, if basic, standard of living. Policymakers and the media should focus on issues that are really driving the decline, including too few decent jobs for the working class, the barriers to employment caused by mass incarceration, and underinvestment in labor market supports for workers and job seekers.30

Shawn Fremstad is a Senior Fellow at the Center for American Progress. Katherine Gallagher Robbins is the Director of Family Policy for the Poverty to Prosperity Program at the Center.

Acknowledgements

The authors thank Anusha Ravi and Michael Madowitz for their helpful comments and assistance.


9 Ibid.


11 Ibid.


13 Furman also makes a second estimate that assumes the prime-age men who no longer receive SSDI would participate in the labor force at an even greater rate than other disabled men who do not receive SSDI. Using this less conservative approach implies a slightly larger effect: 0.4 percentage point of the 8.4 percentage point decrease. Of the two estimates, the lower estimate is much more plausible, and even that one may be an overestimate. Disabled men currently receiving SSDI have less capacity to work on average than disabled men who are not currently receiving SSDI. For example, disabled men receiving SSDI are older on average and more likely to be in fair or poor health than disabled men not receiving SSDI. Thus, it seems more likely that in the absence of SSDI, disabled men currently receiving benefits would work at a lower rate than Furman assumes.


About 10 percent of beneficiaries of SSA disability benefits receive both SSI and SSDI. See the Social Security Administration, “Disabled Beneficiaries Receiving Social Security, SSI or Both.”


Authors’ calculation from the Veterans Benefits Administration, “Disabled Beneficiaries Receiving Social Security, SSI or Both.”


The VA’s published data on disability beneficiaries by age in 2015 doesn’t include age breakdowns for veterans less than age 35. See the Veterans Benefits Administration, Annual Report: Administrator of Veterans Affairs (U.S. Department of Veterans Affairs, 1968), table 44, available at https://www.va.gov/vetdata/docs/FF1968.pdf; Veterans Benefits Administration, 2015 Annual Benefits Report: Compensation, p. 16, “All compensation recipients and estimated annual payments” table. In addition, more than 100,000 men ages 35 to 64 received veterans’ pensions (typically for nonservice connected disabilities) in 1968 than in 2015. See the Veterans Benefits Administration, 2015 Annual Benefits Report: Pension and Fiduciary, p. 12, “All Veterans Pension recipients and estimated annual payments by age.”


Recent research suggests that a significant number of men who are listed in the CPS-ASEC as not having worked at any point in the previous year did work some, thus the numbers in this figure are likely an overestimate of the number of nonemployed for the entire year. John Coglianese, “Shrinkouts versus Dropouts: Explaining Declines in Labor Force Participation.” Working Paper (Harvard University, 2016), available at https://scholar.harvard.edu/coglianese/publications/shrinkouts-versus-dropouts-explaining-declines-labor-force-participation. Coglianese finds that “those who report participating 0 weeks out of 52 in the March Supplement … appear increasingly likely to have spent at least some time in the labor force.”