Summing Up:
Reflections on the Past and Future of Disability Policy

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Readers of this book old enough to remember the rapid increase in the disability rolls in the 1970s and the political response and counter-response that followed have now witnessed a complete disability policy cycle. Hence, in that sense, much of what has occurred in the first years of the 1990s is not new. Further evidence of *dejà vu* is provided by the introduction of a now out-of-print book *Disability and Work: The Economics of American Policy* Robert Haveman and I wrote in the midst of the last great disability policy crisis brought on by rising disability rolls.

Political currents during the early 1980s have challenged the role of the federal government in American society . . . No set of programs offers a better microcosm of the political, moral, and economic debates that will result from this general rethinking of the role of social policy than those comprising the United States disability system . . . Clearly, a strong moral commitment to provide some form of protection and compensation to the disabled exists in this country. However, increases in public spending on programs for the disabled and the network of regulations established in an attempt to integrate fully the handicapped into society have caused even the traditional supporters of government intervention to pause. Concern with the rising costs of disability programs has affected all recent administrations, irrespective of political party.

Any informed debate over the direction of United States disability policy must take into account the complex nature of the existing
system—its size, structure, recent growth, economic status, and labor market effects. (Burkhauser and Haveman 1982, pp. 1–2).

It is a bit daunting to revisit work written over a decade and a half ago. Having done so, I believe the general principles of disability policy analysis described there are as valid today as they were in 1982. But in some important ways I was quite wrong about how disability policy would evolve.

While Burkhauser and Haveman (1982) has a chapter on the rise of policies to provide equal access to education, employment, and mobility, we did not expect accommodation to become as dominant a theme as it is in current disability policy. We certainly did not foresee the strength of the disability movement that helped pass the Americans with Disabilities Act of 1990, nor did we advocate as strongly as I would now for the goal of full integration of people with disabilities into the labor market. I was wrong about the future course of the debate because in 1982 I believed that while it was possible that more people with disabilities could work than were currently doing so, most people with disabilities could not be integrated into the labor market.

As my discussion in Chapter 12 makes clear, I am now convinced that not only are the majority of people able to work following the onset of a disability but that they, in fact, are already doing so. Hence, public policies that focus on encouraging work following the onset of a disability are not based on daydreams or good wishes. (See Burkhauser and Daly 1996a, 1996b.)

The following four propositions based on the research I have done since Burkhauser and Haveman (1982) will reflect my perspective on past and future disability policy and set the stage for the conclusions I draw from the previous chapters.

1. Every person reading this book will die.

This proposition requires no additional evidence and, unfortunately, will occur even if you don’t turn another page.

2. Most of us will experience the onset of a disability before we die, and many of us will do so while we are of working age.

Based on data from the Health and Retirement Survey, Burkhauser and Daly (1996b) show that most people with disabilities aged 51 to 61 in 1992 experienced the onset of their disability during their work life.
3. The most effective way to observe the importance of disability on work and economic well-being is to track the labor earnings and economic well-being of people before and after onset of a disability.

Most comparisons of those with and without disabilities use cross-sectional data. But simple comparisons of this nature can overstate the importance of disability in explaining the difference between the two groups. In Table 13.1, Burkhauser and Daly (1996b) use multiperiod data from the Panel Study of Income Dynamics (PSID) to track the work, labor earnings, and economic well-being of men and women following the onset of a disability. Our definition of disability is that the respondent reports that a physical or nervous condition limits the type of work or the amount of work he or she can do. Since this is multiyear data, the respondent must report this for two consecutive years to be counted as having a disability.

Using event history analysis and PSID waves of data for 1970 to 1989, we first find all persons between the ages of 25 to 61 who experience a disability and then look at what happens in the years prior to and after this event. As can be seen in Table 13.1 the median percentage change in the labor earnings of men (women) from one year prior to onset to one year after onset is a decline of 24 percent (41 percent); the median decline two years after is 31 percent (62 percent). Clearly, onset of a disability decreases labor earnings but does not end work, and as Table 13.1 also shows, on average it is even less devastating to the economic well-being of households.

We are able to look at the household size-adjusted income of people with disabilities that comes from private sources by excluding all government taxes and transfers. This “counterfactual,” which assumes people would not change their behavior in the absence of taxes and transfers, is a crude measure of what would have happened, but it does provide an approximation of the importance of government in reducing the shock of disability.

What we find belies the notion that the onset of a disability is on average a devastating economic event. For men the median change in before-government household size-adjusted income is a drop of 10 percent. After two years the median change is a drop of 12 percent. For women the median change is positive. Once government is taken into
Table 13.1 Economic Changes Following the Onset of a Disability among Working-Age Men and Women in the United States, 1979–1989

<table>
<thead>
<tr>
<th>Time point</th>
<th>Percent working positive hours</th>
<th>Median labor earnings&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Equivalent median 1991 dollars&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Percent working positive hours</th>
<th>Median labor earnings&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Equivalent median 1991 dollars&lt;sup&gt;b&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Before government income</td>
<td>After government income</td>
<td></td>
<td>Before government income</td>
<td>After government income</td>
</tr>
<tr>
<td>Two years prior</td>
<td>90.4</td>
<td>21,215</td>
<td>17,347</td>
<td>16,224</td>
<td>67.3</td>
<td>5,063</td>
</tr>
<tr>
<td>One year prior</td>
<td>90.8</td>
<td>21,543</td>
<td>18,381</td>
<td>16,812</td>
<td>68.0</td>
<td>6,582</td>
</tr>
<tr>
<td>Year of disability event</td>
<td>87.2</td>
<td>18,760</td>
<td>16,434</td>
<td>16,160</td>
<td>70.0</td>
<td>5,995</td>
</tr>
<tr>
<td>One year after</td>
<td>72.3</td>
<td>13,220</td>
<td>14,567</td>
<td>15,739</td>
<td>63.6</td>
<td>3,277</td>
</tr>
<tr>
<td>Two years after</td>
<td>68.2</td>
<td>11,798</td>
<td>13,930</td>
<td>15,406</td>
<td>57.6</td>
<td>1,699</td>
</tr>
<tr>
<td>Median percentage change from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One year prior to one year after disability</td>
<td>na</td>
<td>−24.0</td>
<td>−9.7</td>
<td>−2.6</td>
<td>na</td>
<td>−41.0</td>
</tr>
<tr>
<td>One year prior to two years after</td>
<td>na</td>
<td>−31.0</td>
<td>−12.1</td>
<td>−3.7</td>
<td>na</td>
<td>−61.7</td>
</tr>
</tbody>
</table>
NOTE: The sample is based upon data from the 1970 to 1989 waves of the Panel Study of Income Dynamics (PSID). The sample includes household heads and spouses who report two consecutive periods of no disability followed by two consecutive periods of disability, who were between the ages of 25 and 61 at onset. A period of disability is one in which the respondent reports that a physical or nervous condition limits the type of work or the amount of work that he/she can do. Sample size for men in the first four periods is 725. It is 677 in the fifth period (two years after). Sample size for women in the first four periods is 303. It is 236 in the fifth period (two years after). The sample size is smaller for women because the PSID did not ask about spouses' disability status until 1981.

\(^a\)Median labor earnings includes zero earnings. Earnings are in 1991 dollars.

\(^b\)Before- and after-government incomes are adjusted for household size using the equivalence scale implied by the United States poverty lines. Income-to-needs ratios can be computed by dividing equivalent median income by the 1991 one-person poverty threshold of $6,932.
account, the news is even better. After one year the median fall for men is less than 3 percent and after two years less than 4 percent. Table 13.1 shows that our network of family and government does a reasonably good job of protecting people from dramatic drops in economic well-being following a disability. In making these assessments we do not simply look at the replacement rates of a given program to evaluate the change in economic well-being following the onset of a disability; we look instead at the change in overall household income. And we key on the transition into disability as the critical event, rather than the transition into a given program. While not perfect, on average our disability system works to prevent serious economic losses to the households of adults who experience the onset of a disability, at least in the short run. Hence, if forced to label persons with disabilities as either heroes who have coped with their disability and managed to offset its economic consequences or as victims who have been overwhelmed by their disability and suffered dramatic economic loss, the stereotype I would choose is hero.

4. Sophisticated social insurance and welfare networks were created in western industrial countries to offset the economic effects of a disability, as well as other economic events (e.g., recessions, depressions, plant closings, etc.) that threaten unemployment and economic well-being.

Figure 13.1 puts disability-based insurance and disability-based welfare programs in the context of overall social policy. In the next sections I will use it as a means of putting the findings of the volume into that same context. Figure 1 has its origins in Aarts, Burkhauser, and de Jong (1996), which focuses on differences in social programs across five western industrial countries—the United States, the Netherlands, Sweden, Germany, and Great Britain.

Figure 13.1 conceptualizes attempts by government policy to ameliorate job loss caused by economic or health factors in the context of a series of paths that workers may take as they move from full-time work to normal retirement. For workers who remain on the job over their work life the path to retirement is a straightforward one. It is not until they reach retirement age that they must choose between retirement and continued work. But for a significant number of workers, job sepa-
Figure 13.1 Social Welfare Protection System

**Work**
- Work Path
  - Work-Rehabilitation
  - Job Protection Legislation
    - Quotas
    - Dismissal rules
    - Union protection
    - Anti-discrimination mandates
  - Job Creation

**Disability Insurance Path**
- Short-Term
  - Sickness Fund
  - Temporary Disability
  - Workers' Compensation
- Long-Term
  - Disability Insurance

**Unemployment Insurance Path**
- Short-Term
  - Unemployment Insurance
- Long-Term
  - Unemployment Insurance

**Welfare Path**
- Short-Term
  - Welfare
- Long-Term
  - Welfare
  - SSI

**Retirement**
- Jobs
  - Early Retirement
ration before retirement is a reality for which social welfare policy must prepare.

No single figure can show all the possible paths that workers with a disability may take over their lifetime, especially one that is intended to show how labor market and social welfare institutions influence those paths across countries. But it is possible to show in a broad way how the incentive structure built into a country's institutions affect the average person in that country. In general one can imagine four paths that workers may take following the onset of such a disability. The first, which is defined as the work path, encompasses public programs that provide or encourage rehabilitation in order to overcome the work limitations caused by a disability. But it also includes more direct government intervention into the labor market through the creation of specific government jobs for people with disabilities, subsidies to those who employ such workers, job quotas, job protection legislation—dismissal rules, etc., or general antidiscrimination legislation requiring accommodation for workers with disabilities. The intent of these policies is to maintain those with disabilities on the job and in the labor market, either through the carrot of subsidies or the stick of mandates.

The second, which is defined as the disability insurance path, encompasses traditional disability insurance-based transfer programs. They may include short-term programs that mandate employers to provide replacement of lost wages during the first few weeks of sickness or directly provide such replacement through short-term social insurance. In all European countries, they would include the provision of health care at no marginal expense to the worker. After some point, workers are then eligible to move to a long-term disability insurance program. Often acceptance into this program requires meeting both health and employment criteria. This path eventually merges with social security retirement programs.

The third, which is defined as the unemployment path, encompasses the short-term provision of unemployment benefits that to replace lost wage earnings due to cyclical economic downturns. At some point longer-term unemployment insurance is made available, often at a lower replacement rate. Finally, this also merges with the social security retirement system at older ages. As we have seen, disentangling exits from a job because of a disability and exits from a job because of economic forces is in practice a difficult and often controversial task,
especially since these exits can be influenced by the rules established by a country’s social welfare system.

The final path is defined as the welfare path. These means-tested programs serve as a safety net for workers without jobs who are not eligible for disability or unemployment-based social insurance programs. Such programs can be universal, subject only to a means test and/or linked to an inability to work either because of health, poor job skills, or child-rearing responsibilities. This track can continue past retirement age for those not eligible for social security retirement benefits.

The extremely simplified social welfare system pictured in Figure 13.1 provides some important insights for evaluating the disability transfer system in any country. And it can be used to explain the important empirical facts uncovered in Stapleton et al. (Chapter 2) and Livermore, Stapleton, and Zeuschner (Chapter 8).

For persons who have a disability that begins to affect their ability to work, important decisions about work often must be made. When making those decisions in conjunction with an employer, the social institutions of the country in which those persons work may also be important influences. Such a worker is likely to look at the relative rewards of continued movement along the work path versus entry onto an alternative path. Similarly, a firm’s willingness to accommodate workers may also be influenced by the social institutions it faces.

Not all workers can or will transform themselves into candidates for disability insurance benefits. But workers with a disability who are having difficulty with their current job or who are no longer working will be influenced by the relative rewards provided by the disability, unemployment, and welfare paths in their country when deciding whether to try to remain in the labor force or apply for transfer benefits. Nor do all those with disabilities have the ability to continue to work. Some people’s disabilities are so severe that continued employment is impossible and a movement onto the transfer rolls is inevitable. But for some portion of the population who suffer the onset of a disability that affects their ability to work, the length of time they continue on the job depends on the social institutions that are in place as well as their specific health problems. These workers add to the supply of candidates to disability transfer programs.

Countries with low or nonexistent welfare benefits, low unemployment benefits, and little available rehabilitation and job protection are
likely to have a large supply of applicants for the disability insurance path. This supply increases as the replacement rate increases and the period of time over which benefits can be received increases. Examples of such countries are the United States and the Netherlands where increases in applications for disability benefits put tremendous pressure on disability-based programs in times of serious economic downturns. Alternatively, when the protection offered by the unemployment path is similar to that offered in the disability insurance path, as in Germany, the supply of disability applicants does not increase significantly during economic downturns.

In Sweden, where disability benefits are as generous as in the Netherlands, application pressure on disability programs is far less severe because all persons with a serious disability who seek disability transfer benefits are first required to receive rehabilitation. Following rehabilitation, it is government policy to provide jobs in the public sector if private sector jobs are unavailable. In Germany a combination of lower replacement rates and a quota system and nonactuarially reduced early retirement benefits deflect much of the pressure away from disability transfer programs.

Figure 13.1 shows how the incentive structure inherent in a country’s social welfare system influences the supply of disability candidates. But it can also be used to describe the demand for such candidates. To enter any of the four paths described in Figure 13.1, it is necessary to satisfy entry requirements. In a social security retirement insurance program, entry requirements are usually straightforward. A worker must have worked in covered employment for a given time or have performed other easily verified activities (e.g., attend school, rear children) and must be a given age. Such eligibility criteria are easy to administer. This makes the task of the front-line gatekeepers routine. They simply follow relatively objective criteria with little room for individual interpretation.

Of course, the overall size of the population on the retirement rolls will change if a higher benefit is paid or the age of eligibility is lowered, but gatekeeper discretion will not enter into this change. They will simply follow new criteria. Determining eligibility for the various paths open to those who have a disability that begins to affect their work but who are below early retirement age is not as clear-cut.
Unlike age, which is relatively easy to verify, disability is a complex concept that has both health- and work-related components. One easy way to screen for benefits is to require a waiting period of around one year between the onset of the condition and eligibility, and to record how much the person is actually working. Then, either a private physician or a physician employed by the system determines the seriousness of the health condition with respect to the person's ability to work. While the first two pieces of evidence are easily measurable, the third is less so. Doctors can evaluate health conditions as they relate to a norm, but there is no unambiguous way to relate a health condition to one's ability to work. Hence, disability program gatekeepers' discretion in carrying out established criteria is much greater than it is for retirement.

Access to the work path and the disability insurance path may be closely coordinated, as in Sweden, where a centralized group of gatekeepers determines who can be rehabilitated and who goes directly onto disability transfer rolls. But these paths may also be administered in quite independent ways. In the United States, rehabilitation services are administered by an entirely different group of gatekeepers with little or no coordination between them and the gatekeepers who administer the disability transfer system.

All of these factors then enter into the way that front-line disability gatekeepers respond to changes in supply and to the voices of those at higher levels of administrative responsibility who are attempting to control the overall flow of people into the system. In periods of economic downturn, the number of workers who leave their jobs rises and applications to transfer programs increase. In countries like the United States and the Netherlands, with generous disability benefits relative to other alternatives, tremendous pressure is put on the disability system to provide income to those workers. The pressure may lead to a specific easing of the rules or simply to a change in the interpretation of the rules. In this way "demand" may shift to accommodate supply.

What Stapleton et al. (Chapter 2) have documented is that the business downturn of 1989-1991 had an important role in the upsurge in disability applications, as Figure 13.1 would predict. But they also find that entrance into the program is not inevitable. The major recession of the early 1980s also had an important effect on applications but did not result in additions to the rolls since the gatekeepers were signaled by
Congress and the administration to resist. None of these ebbs and flows in application and acceptance rates can be explained by changes in underlying health conditions in the United States.

As Figure 13.1 suggests, countries with generous and easily accessible unemployment and welfare paths are not as likely to see the impact of major business cycle shifts on applications to their disability insurance path. But in the United States our unemployment system is not particularly generous and is short term. And, unlike most European countries, we have no universal income maintenance system. General Assistance and Aid to Families with Dependent Children (AFDC) are the primary nonhealth-related sources of income for low-income people. As the eligibility criteria are tightened and the length of stay made more limited on these two programs, Figure 13.1 suggests that this will lead to increased pressure on SSI as an alternative to these two programs. Bound, Kossoudji, and Ricart-Moes (Chapter 7) suggest that this is exactly what happened in Michigan when their General Assistance program was cut. Several other chapters on the topic of application and growth (Stapleton et al., Chapter 2; Livermore, Stapleton, and Zeuschner, Chapter 8; and Bordelon’s comments on Chapters 6–8) show that at the gatekeeper level there is a movement from General Assistance and to a lesser extent from AFDC onto the SSI rolls.

In addition to the supply story emphasized in Figure 13.1, there is the “cost-shifting” issue that is a generic problem of our multilevel approach to social welfare policy in the United States. An important message of this book is that there has been a systematic effort by state governments to shift their welfare costs to the federal government, which explains part of the upsurge in Supplemental Security Income (SSI) applications. (See especially Livermore, Stapleton, and Zeuschner, Chapter 8.) The welfare reforms of 1996, which require states to pay 100 percent of the marginal cost of AFDC clients will make SSI an even more inviting program for state administrators anxious to shift costs back to the federal government.

While Livermore, Stapleton, and Zeuschner have concentrated on the importance of policy changes in General Assistance and AFDC on the SSI rolls, another policy change already adopted will also affect the Social Security Disability Insurance (DI) and SSI rolls in the next decade. To reduce the financial burden of the aging baby boom population on the Old-Age and Survivors Insurance system, the normal age of
retirement is scheduled to increase from 65 to 67 in the next century. It is likely that further increases in both the early and normal retirement age will come. But Figure 13.1 shows that as we make the paths to retirement longer, the populations on DI and SSI will increase, because duration on the program will increase as will the incidence of new enrollment at older ages. This notion of the importance of duration on the size of the disability rolls is addressed by Rupp and Scott (Chapter 4) as well as by Muller and Wheeler (Chapter 6).

A final issue related to disability program growth discussed in this book is the shift in impairment trends among applicants and awardees over the last decade. Stapleton et al. (Chapter 2) document that applications and awards based on mental disorders and musculoskeletal conditions have grown much more rapidly than applications and awards based on other impairments. To paraphrase their arguments in terms of Figure 13.1, they argue that this phenomenon is much more related to changes in the actions of disability gatekeepers than in underlying changes in conditions. Changes in the eligibility criteria and the greater emphasis on functional criteria rather than on medical evidence has led to more awards, not a change in underlying health conditions.

GROWTH IN THE DISABILITY TRANSFER POPULATION: A POLICY SUCCESS OR FAILURE

While Figure 13.1 is useful in providing a fuller policy context for the rapid increase in the disability rolls documented in this book, it is less useful in determining whether this increase was a policy success or a failure.

While I am confident a consensus exists on the importance of economic and policy factors on recent disability program growth, I am much less confident consensus exists on the appropriateness of this policy outcome. This lack of consensus is best captured by the competing views of Goldman and Weaver in Chapter 11. While Goldman sees the growth in mental disorder awards as the expected consequence of a society finally reaching out to an underserved population in need, Weaver sees this as a substantial lowering of the gates with respect to
our definition of disability. Likewise, the tremendous outreach “achievements” discussed by Livermore, Stapleton, and Zeuschner (Chapter 8) and Bordelon (comments on Chapters 6–8) can either be seen as an appropriate attempt to provide deserved disability benefits to people unaware of their rights or as further evidence of a concentrated effort to shift the burden of general welfare assistance from the state to the federal government.

Ultimately, policy outcomes of the 1990s will be judged by one’s overall view of the goals of social policy, and of disability insurance and welfare programs within it. It is at this point that I must confess that as a “poverty policy expert” of the 1970s, I and many of my colleagues advocated and laid the groundwork for the system we have today.

I was among the majority of academics who supported a Negative Income Tax in the 1970s. In fact, it was then common in policy circles to whisper that the passage of Supplemental Security Income effectively gave us aNegative Income Tax (NIT) not only for all older people but, with a broad enough definition of disability, most younger people as well. Today many policy experts and most advocates for the poor see the expansion of SSI as the best practical method of insuring a universal federal government-financed minimum income floor under all Americans.

Many things have changed about me in the last twenty years: first, the length of my hair, which was the defining characteristic of my generation, is shorter and has turned from brown to grey. Second, my faith in the NIT as the basis for assisting poor people has been critically affected by the very mixed results of thirty years of war on poverty programs. I now more fully recognize the dangers to the human spirit that permanent transfers bring. I am no longer a supporter of an NIT or any other universal guaranteed transfer program that requires no quid pro quo of its beneficiaries. I do not believe that residency or even citizenship confers an entitlement to a minimum benefit, and I believe it is neither in the beneficiaries’ interest nor in the interest of taxpayers to provide such benefits. Third, and more to the point, I am not alone. I doubt if even in the 1970s a majority of Americans supported universal guaranteed welfare minimums. Otherwise, why did we have to hide the universal minimum in the guise of a disability program? But today the political mood is much less supportive of federally imposed
minimums. The passage of welfare reform legislation that ended the open-ended guarantee of support payments for AFDC recipients by a Republican dominated Congress and signed by a Democratic president just before the presidential elections of 1996 is evidence of the political consequences of this mood. To the degree that SSI is seen as a mechanism for supporting those who could work, its survival is also threatened. This is the real danger that people with disabilities should recognize in their support of current DI and SSI eligibility criteria.

Fourth, what I believe is more in keeping with traditional American values and what a majority of Americans will support are government programs that subsidize work, not welfare, or, to borrow a phrase from a current political leader—programs that make work pay. As general transfer programs like General Assistance and AFDC are cut in an effort to shift people into the workforce, there will be increasing efforts to place these former beneficiaries on SSI as their benefits expire. Daly (Chapter 5) shows that this is already occurring, and the 1996 welfare reform legislation guarantees it will increase.

Finally, let me suggest why the defenders of our current system of transfer payments should pause. It is often said by veteran activists that while SSI is not a very generous program, at least it provides a safe haven against the uncertainty of the work path. And advocates of people with disabilities have labored tirelessly in Congress and in the courts to ensure that most people on SSI will never have to leave that program. But there is evidence that the uncertainty of the work path may in the long run be preferable to what appears to be the safety of SSI and other welfare-based transfer programs.

In a series of papers (Burkhauser et al. 1996a, 1996b; Burkhauser, Crews, and Daly 1997) look at how income distribution in the United States changed over the 1980s and early 1990s. We then look at how subpopulations within these countries fared over this period.\(^2\)

Figure 13.2 shows the distribution of real pretax, postransfer individual household size-adjusted income in the United States in 1979, 1982, and 1989. Since much of the discussion in this book has centered around the importance of business cycles, it is important to recognize that 1979 and 1989 are peak years in the business cycle of the 1980s while 1982 is the trough year in that business cycle. Hence, one can see the powerful negative effect the recession of the early 1980s had on the economic well-being of the entire population, as it shifted the entire distribution to
Figure 13.2 The Income Distribution in the United States in 1979, 1982, and 1989 (total United States population)

SOURCE: Burkhauser et al. (1996a).
the left from 1979 to 1982. Over the next seven years, however, economic growth shifted the entire distribution back to the right.

Much of the discussion of the 1980s ignores the importance of general economic conditions on income distribution and simply compares income distributions between two arbitrary years. Figure 13.2 shows that the years chosen can greatly influence one’s view of that decade. But in looking at the 1980s it is most appropriate to choose points at the same place in the business cycle. Figure 13.3 compares the two peak years—1979 and 1989. It confirms conventional wisdom that inequality increased and the mass of people in the middle of the distribution fell. Note the shaded area. This is the “vanishing middle class.” Some of the mass fell to the left—the mass of people at the bottom of the distribution grew. But the important news is that the vast majority—90 percent—of the mass in the middle shifted to the right. That is, the majority of the “disappearing middle class” became better off rather than worse off. Inequality grew, but it did so because people in the middle became better off at different rates.

We then divided the population into three broad subsets: persons living in younger households (all persons living in a household headed by an individual aged 61 or younger, in which some household labor earnings but no social assistance benefits are reported; persons living in older households (all persons living in a household whose head was aged 62 and older); and persons living in younger social assistance households (persons living in a household whose head was aged 61 or younger in which some form of social assistance—SSI, AFDC or other welfare transfers—was received). When we do this for young working households the distribution mirrors Figure 13.3. Inequality grew, and the middle mass fell. While there was some small growth on the left, the majority of people in these households became richer. For older households the entire distribution moves to the right between 1979 and 1989. There was an unambiguous improvement in the economic well-being of older people living in households in the 1980s, in large part because of increases in social security retirement benefits and in the prevalence and generosity of employer pensions over the period.

What I want to focus on is the third subgroup—persons living in younger social assistance households. Figure 13.4 shows that the distribution of household size-adjusted income of this population shifted to the left between 1979 and 1982. That is, like other Americans, those
Figure 13.3 The Income Distribution in the United States in 1979 and 1989 (total United States population)

A Lower 1979-1989 intersection ($4,725 for a single person, $9,450 for a household of four)

B Upper 1979-1989 intersection ($30,615 for a single person, $61,230 for a household of four)

SOURCE: Variation of Figure 3 in Burkhauser et al (1996a)
persons in social assistance households were worse off in the business cycle trough year of 1982 than in the peak year of 1979. But unlike other Americans, seven years of economic growth was not able to return them to their previous 1979 high, let alone shift the distribution to the right of its 1979 position. While on average, persons on social welfare assistance were slightly better off in 1989 than in 1983, they were less well-off than in 1979. The overall economic well-being of those on welfare actually declined.

In the 1990s the bipartisan groups that are "reinventing government" and "changing welfare as we know it" show precious little support for increasing the economic well-being of nonworking welfare recipients. Thus, for young people with disabilities who are on the verge of moving toward either the work or welfare paths, the future value of a lifetime of SSI benefits is quite uncertain. Perhaps it is time for the advocates of people with disabilities to shift their efforts from the lost cause of defending and enlarging support for programs that subsidize nonwork to programs that encourage work.

In fact, the Americans with Disabilities Act of 1990, with its emphasis on accommodation and the view that the majority of people with disabilities can work, should be at the center of a set of policies that begin to shift our collective energies from nonwork to work subsidies. But this movement should recognize that with rights come responsibilities. If people with disabilities are able to work, then our public policies should be built around this expectation and not around a guaranteed lifetime of welfare transfers.

As I discussed in Chapter 12, accommodation, disabled worker tax credits, rehabilitation, and training offer real alternatives for an important segment of the population with disabilities who would otherwise be in the next wave of SSI or DI beneficiaries.

This book has established that economic and policy forces significantly affect the DI and SSI rolls. While we will always need SSI and DI for some people with disabilities, for many others this is a poor second-best alternative. It is time to stop using SSI as a back door route to universal welfare minimums. Rather, we should recognize that people with disabilities have more in common with other Americans than they have differences. Economic growth is the primary engine of growing economic well-being for most Americans, including those with disabilities. People with disabilities who have good job skills are already able
Figure 13.4 The Income Distribution in the United States in 1979, 1982, and 1989 (social assistance recipients)

to integrate themselves into the American workforce; those with disabilities and poor work skills, the doubly disadvantaged, do need a hand up, but we should first try to improve their economic well-being through work programs before we push them onto the welfare path.

Notes

1. Burkhauser and Daly (1996b) also provide cross-sectional information on the labor force participation of people with and without disability. We find the majority of men and women aged 25 to 61 who report a disability in 1989 (using the same two-period definition of disability) worked at least 52 hours in that year and about 40 percent of men worked full-time. As was discussed in Stapleton et al. (Chapter 2), the business cycle plays a role in the work lives of people with disabilities. The year 1988 was the sixth straight year of economic growth in the United States and hence reflects work outcomes near the peak of the 1980s business cycle. Using the same definition of disability and work, Burkhauser and Wittenburg (1996) look at labor force participation rates of people with disabilities between October 1990 and January 1992 using the Survey of Income and Program Participants. Labor force participation of people with disabilities is lower during this weaker economic period; yet, about one-half of men with disabilities worked.

2. The data used in these papers come from the Current Population Survey. As in Table 13.1, the unit of analysis is the person, but within a household context in which it is assumed that household income is equally shared using an equivalence scale with an elasticity of 0.5. For the United States, household income is pre-tax and post-transfer. In-kind transfers are not counted.

3. Burkhauser et al. (1996b) repeat this exercise using the trough-to-trough years 1982 and 1992. The results are similar to the peak-to-peak comparisons. Both these results are quite different from those one would find by comparing a peak year—1979—with a trough year—1992 (see, for instance, Danziger and Gottschalk 1995) Not surprisingly, comparisons of peak-to-trough years lead to a much worse outcome but one that mixes changes along a business cycle with changes across business cycles. For a fuller discussion of the sensitivity of across-year comparisons of economic well-being see Burkhauser, Crews, and Daly (1997).

4. The definition of middle class used here is basically a statistical one. It is the middle of the 1979 distribution, which is bounded by the upper and lower intersections of the 1989 distribution—the "middle mass" of the distribution. Of course, these “intersection points” do not reflect the political concept of the middle class. In 1989 dollars the lower minimum is $4,725 for a single person ($9,450 for a household of four), or 74.9 percent of the poverty line and the maximum of $30,615 for a single person ($61,230 for a household of four—48.5 times the poverty line). Burkhauser, et al. (1996a) offer an alternative lower boundary of twice the poverty line $12,622 for a single person ($25,244 for a household of four), which more closely matches the lower boundary of the political middle class, and
reach the same conclusion—that the overwhelming majority of the middle class became richer in the 1980s.

References


