Policy Forum: Disability Care and Support

Is Australia One Recession Away from a Disability Blowout? Lessons from Other Organisation for Economic Co-operation and Development Countries

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Abstract

A blowout in disability-based cash transfer programmes resulted in fundamental reforms over the last decade in several Organisation for Economic Co-operation and Development countries. Similar reforms are being proposed in the United States in the wake of its disability programme growth following the Global Financial Crisis. We compare trends in US and Australian disability receipt with those of the Netherlands and Sweden and argue that Australia’s current Disability Support Pension programme is vulnerable to the same forces that caused unsustainable programme growth in these countries. Absent fundamental reforms focused on return to work over benefit receipt means that Australia could be one recession away from disability benefit blowout.

1. Introduction

Unsustainable growth in programme costs and beneficiaries, together with a growing recognition that even people with severe impairments can work, led to fundamental disability policy reforms over the last decade in the Netherlands, Sweden and other European countries. These reforms primarily focused on slowing entry onto long-term disability cash transfers by keeping newly impaired workers in the labour market. Although there were some efforts to reduce the number of current beneficiaries through disability reassessments or work incentives, these were both less important and less successful.

The United States is now considering fundamental reform of its primary long-term disability cash transfer programme, Social Security Disability Insurance (DI), in part because of unsustainable growth, which has been especially pronounced in the wake of the Global Financial Crisis. The DI rolls have risen from 1.2 million in 1967 to 8.8 million in 2012, and since 2009, the DI programme has been paying out more in annual benefits than it receives in taxes and interest from its trust fund. Based on current growth, the DI programme is projected to be insolvent by 2016 (Social Security Administration 2013b).

Here, we describe the current crisis in US disability programme growth and its causes and show how Australian disability programme growth tracks the US experience. We then review how the Netherlands and Sweden found themselves in a similar situation and undertook fundamental reforms to regain control over...
their cash disability programmes. These reforms provide important lessons for US and Australian policymakers tasked with providing fiscally sustainable support for people with disabilities.

2. US and Australian Programme Growth and Its Causes

Labour market work is the primary source of income for most families. A permanent or even a temporary loss of this income via a job exit is a major threat to economic well-being. Over the twentieth century, Organisation for Economic Co-operation and Development (OECD) countries built complex social protection schemes that were designed to support individuals who were unable to earn in the labour market. Most countries provided tiers of protection targeted at different groups. In general, the first tier provides universal, long-term, needs-based cash transfers that guarantee a social minimum income to all families. The second tier provides cash support to those who are available for employment and are expected to work, but who are temporarily unemployed. These benefits are usually conditional on past work, limited in duration and may be needs based. The third tier targets benefits to those who are not expected to work—the aged, disabled, etc.—and can either be needs-based or based on past earnings. Since recipients of these benefits are not expected to return to employment, benefits are typically higher and not time-limited.

When these tiers provide substantially different amounts of income and their categories are mutable, it is critical that the long-term or higher benefit programmes have verifiable eligibility criteria that allow programme gatekeepers to consistently determine who should come into the programme. For retirement programmes, this is straightforward: age is an arbitrary but easily verifiable eligibility marker. Eligibility determinations by programme gatekeepers will not vary greatly over the business cycle and estimations of programme growth will be relatively straightforward.

Disability is much more difficult. Unlike retirement, there is no precise definition or easily verifiable marker for determining categorical eligibility for long-term disability benefits. Moreover, disability is not a static concept and social conceptualisations of disability evolve over time. For example, over the last 20 years, the medical model of disability underlying categorical disability programmes in most OECD countries has been rejected and replaced by a conceptualisation that recognises that the social environment is as important as health in determining an individual’s ability to participate in society (World Health Organization 2001). Under this model, ‘work disability’ is not an unchangeable state, but rather a mutable category that depends on a number of factors, including an individual’s health impairment, the level of accommodation offered in the workplace and the relative economic payoffs associated with working or exiting the labour force to receive disability benefits.

As the European experiences over the last decade and the US experience more recently suggest, when such mutable criteria define categorical eligibility for higher benefit or long-term programmes, these programmes grow rapidly, especially in periods of high unemployment. Unchecked, this type of economically induced growth can lead to fiscally unsustainable obligations and eventually undermine support for the programmes themselves, as the fundamental reforms in the Netherlands and Sweden demonstrate.

2.1 US Experience

The United States has no first-tier, universal needs-based cash transfer programme that provides a guaranteed social minimum income floor to all its citizens. The Supplemental Security Income (SSI) programme, which is limited to the aged, disabled adults and parents of disabled children, is its only long-term needs-based cash transfer programme. SSI is similar in design to Australia’s Disability Support Pension (DSP) but the income guarantee level is substantially lower. The only other major categorical needs-based cash transfer programme in the United States is Temporary Assistance for Needy Families (TANF), which is targeted at single mothers and provides an even lower guaranteed income level and the guarantee is limited to 5 years.
The second tier in the United States includes unemployment insurance benefits, which replace a fraction of wages for covered workers for short periods of time. In normal economic times, unemployment benefits can last up to 26 weeks. During recessions, this maximum is often extended and it rose to 99 weeks in the aftermath of the Global Financial Crisis. Unemployment insurance benefits are generally higher than SSI or TANF benefits.

The social security old-age retirement (OI) and disability (DI) programmes make up the third tier of benefits in the United States; they provide social insurance to workers who have paid social security taxes over their working life. To be eligible for benefits, workers must have accumulated sufficient quarters of coverage, as defined in the Social Security Administration’s pension rules. These requirements are sufficiently strict to limit OI and DI benefits to those with substantial attachments to the labour market. (For a summary of the benefit requirements and rules, see Social Security Administration 2013a.) Benefit levels from these programmes are based on past earnings and can be substantially higher than the social minimum level of benefits guaranteed by the SSI aged and disability programmes.

Although the SSI aged and disabled adults programmes and social security retirement and disability benefits programmes target different economic populations, they share identical categorical eligibility criteria. Also, individuals with sufficiently low earnings records may jointly qualify for OI and SSI aged benefits and for DI and SSI disabled adult benefits. That said, in the United States, the programmes are generally treated separately by policymakers.

Eligibility for DI or SSI adult disability benefits requires applicants to meet an identical disability standard applied by a common set of administrative evaluators and adjudicators. Those criteria are in principle quite strict. Eligibility requires that a worker be ‘unable to perform any substantial gainful activity on any job in the economy for at least one year’ (Social Security Administration 2013c). The intent is that DI and SSI are last-resort programmes for those with permanent and total impairments.

Although the words describing eligibility criteria have not changed over time, DI implementation has changed, and in a direction that has increased the number of working-aged adults receiving disability benefits. Figure 1 shows growth in the DI programme from 1982 to 2011. (We show data on the SSI programme later in this article.) The upper line in Figure 1 (Panel A) shows the growth in the DI beneficiary population as a proportion of the population aged 16–64 years. The shaded years represent official US recession periods (three consecutive quarters of negative economic growth).²

In 1982, 1.73 per cent of the working-aged population, using the OECD working-aged definition, received DI benefits. While the beneficiary population has grown continuously since then, its growth as a share of the population has varied. Over the 1980s, it was relatively constant but it has risen since at an increasing pace. In 2011, it reached 4.28 per cent.

Some of the growth since 1982 is beyond the control of the DI programme. The ageing of the workforce, the increase in eligibility age for OI retirement benefits from 65 to 66 years (and hence an additional year on the DI programme for beneficiaries before they are automatically shifted to the OI retirement programme) and the rise in the employment rate of women and associated increase in DI coverage (to be eligible for DI, you must have worked for at least 5 of the last 10 years) are not driven by DI policy changes but by changes in factors outside the control of the DI programme.

The lower line in Figure 1 (Panel A) controls for these exogenous changes by showing what programme growth would have been if, instead of changing, they had all remained at their 1982 levels. The adjusted lower line shows that, even when controlling for these factors, growth is still considerable: a near doubling of the 1982 DI population ratio to 3.38 per cent, with the fastest growth coming since 2007. Altogether, about two-thirds of the growth in the DI recipiency rate in the working-aged population is unexplained by factors outside of the programme’s control.

Autor and Duggan (2010) and Burkhauser and Daly (2011) show that this residual growth
in DI recipiency is not explained by changes in the underlying health of the working-aged population or in the percentage of that population with work-limiting impairments. Rather, they find that the easing of eligibility rules, a greater willingness of disability programme gatekeepers to accept applicants based on these new standards and the growing tendency of low-skilled and unemployed workers to apply for and gain entry into the DI rolls primarily contributed to the rise.

As evidence for this explanation, Burkhauser and Daly (2012) show that the fastest growth in new beneficiaries comes from: (i) increases in medical listing categories that are the most difficult to objectively measure—musculoskeletal (back pain) and mental illness; (ii) increases among those who have an impairment that is not sufficient in itself to gain entry but who do so based on vocational characteristics—older age, lower education, manual work history; and (iii) increases among those who qualify only after being denied benefits at the initial level of review. In addition, recent evidence by Maestas, Mullen and Strand (forthcoming) shows that the outcome of the eligibility determination of 23 per cent of those evaluated for the DI programme was decided by whether the evaluator was a strict or less strict interpreter of the evaluation criteria.

Importantly, the stage for many of these trends was set in the mid-1980s with a major easing of eligibility standards. But due, in part, to a good economy, the easing resulted in only small increases in the rolls during the second half of that decade. When the next recession hit in the early 1990s, movement into the disability rolls accelerated substantially. In the boom years of the second half of the 1990s through to the early years of the next decade, growth slowed somewhat but dramatically increased with the Global Financial Crisis and severe recession that followed. Since those who go into cash disability programmes rarely return to the labour market, even temporary increases in programme inflows can lead to fiscally unsustainable programme growth.

These facts are symptomatic of categorical disability programmes whose beneficiaries are increasingly coming from a pool of unemployed workers with some level of work limitation but who, under a different

set of disability policies, could work and who did so prior to 1990. They underscore the contradictions of current DI and SSI policies and the transformation of these income transfer programmes from, in the case of DI, a last-resort cash income programme for those not able to perform any substantial gainful employment to a long-term unemployment programme and, in the case of SSI, to a more general social minimum income programme.

2.2 The Australian Experience

To put the Australian experience into the context of the US experience, we reproduce from McVicar and Wilkins (2013, Figure 3) growth in the DSP programme in Australia (see Figure 1, Panel B) Comparing Panel A (United States) and Panel B (Australia), the results are remarkably similar. The growth in the DI rolls as a share of the working-aged population since 1982 is 140 (4.28/1.78) per cent, which is slightly greater than DSP growth of 133 per cent. Once we consider demographic and other factors outside the control of the programmes, US growth falls to 90 per cent and Australian growth falls to 85 per cent. In both countries, programme-related factors and how they are affected by economic conditions account for around two-thirds of total programme growth over the past three decades.

McVicar and Wilkins (2013) provide an excellent review of the potential drivers of the adjusted DSP growth rates in Australia. We focus here on potential reasons for why calls for fundamental disability programme reform in Australia are not currently as strong as in the United States, but may be so in the future.

As Figure 1 shows, adjusted programme growth in both countries was relatively constant over the 1980s. In Australia, growth in DSP increased substantially between 1991 and 1996, grew more modestly until the early 2000s and then fell until 2008. Since then, DSP growth has increased modestly. These patterns, which contrast those in the United States, might suggest that Australian policies since 2000 have controlled for the kind of disability blowout that the United States is now facing and other OECD countries have experienced.

However, we argue that this might be too optimistic. We superimpose the US recession cycle shading on the Australian data in Figure 1 to proxy for general world economic conditions. During our sample period, Australia experienced its last official and most serious recession in the early 1990s. In 1991, in the midst of this recession, there was a major change in the DSP eligibility criteria. To be eligible for DSP, a worker had to be incapable of working at more than 15 per cent capacity. This was increased from 15 per cent (an 85 per cent work impairment standard) to ‘no more than 30 hours per week’—effectively, a 25 per cent impairment standard if a 40-hour working week is considered normal. This effectively changed DSP from a long-term total disability programme to a long-term partial disability programme. Hence, it required DSP gatekeepers to decide if an unemployed worker with a partial (as low as 25 per cent) disability was unemployed because of his or her disability or because of economic conditions.

It is not surprising that DSP rates substantially increased over this period. While DSP benefits were not significantly greater than first-tier social minimum benefits, DSP then provided a somewhat higher and more permanent income floor with no work requirement. Because, as in the United States, few entrants to DSP leave the programme to return to work, such increases in the inflow of beneficiaries during recessions led to increases in the ratio of working-aged persons on the disability rolls that last over many additional years.

As the Australian economy recovered and then expanded, growth in DSP slowed. While unemployment has ebbed and flowed in Australia since then, the deterioration in employment conditions during the two subsequent worldwide recessions, especially during the Global Financial Crisis, has been less severe in Australia than in the United States and other OECD countries. Nonetheless, DSP growth increased during both worldwide recessions and, since 2008, DSP rates have increased each year despite a major DSP eligibility change in July 2006 that lowered the work capacity level from no more than 30 hours to no more than 15 hours per week—effectively, an increase...
from a 25 to a 62.5 per cent impairment standard.

McVicar and Wilkins (2013) provide a reason for this growth in the DSP programme. Since 1996, DSP benefit levels—whose growth is indexed to average wage earnings—have grown, both with respect to the minimum wage and with respect to the first-tier universal social minimum income guarantee programme that is tied to an inflation index. Hence, DSP is not only replacing a greater percentage of low-skilled workers’ wage earnings but is an increasingly attractive alternative to Australia’s Newstart Allowance social minimum benefit guarantee. This pattern is similar to the one documented by Autor and Duggan (2003) and Autor (2011) for the United States.

The increase in unemployed low-skilled applicants’ interest in, and potential eligibility for, disability benefits puts additional pressure on DSP gatekeepers to only admit those who are unemployed because their impairment reaches the DSP standard. But, because the relationship between impairment and disability is mutable, this is very hard to do. Thus, in economic downturns, the increased pool of potentially eligible unemployed workers is likely to result in programme growth and may have done so despite the increase in eligibility standards in 2006. This suggests that Australia may be one major recession away from the disability blowout now occurring in the United States.

3. A Comparison with Other OECD Countries

To further document the vulnerability of categorical disability systems to blowout, Figure 2 documents the total number of persons receiving long-term categorical disability income benefits as a share of the working-aged population in four OECD countries. Because DSP is the only long-term categorical disability income programme in Australia, we repeat the values we report in Figure 1 for Australia, beginning in 1982. We show the rate for DI (as reported in Figure 1) as well as the rate when combined with SSI for the United States, beginning in 1970. We do the same for the Netherlands and Sweden.

The first thing to note is that the difference in levels and trends across countries cannot be explained by differences in underlying impairment rates. Nor can they be explained...
by differences in country age structures or other demographic characteristics. The main difference in levels and trends across countries relates to policy rather than health or population characteristics. (For a detailed review of these issues in OECD nations, see OECD 2010.)

One major difference in policy that explains the higher share of working-aged people on categorical disability cash transfers in Sweden and in the Netherlands is that these programmes replace a much greater share of the past earnings for workers who exit employment due to a work disability. Consequently, the shares of their working-aged populations in these categorical transfer programmes are greater than in the United States and Australia. In terms of trends, changes in the disability eligibility rules and their enforcement played an even larger part in the fluctuations of disability cash transfer populations in the Netherlands and Sweden than in the United States and Australia.

In the Netherlands, major growth occurred in the 1970s and 1980s when the country moved to a partial disability system in which unemployed workers with as little as a 15 per cent work limitation were eligible for benefits. Moreover, these benefits replaced almost all of their after-tax wages unless the disability gatekeepers could show that their impairment was not the cause of their unemployment. This made the Netherlands ‘the sick country’ of the OECD until it fundamentally changed its disability system in steps beginning in the 1990s. (For a discussion of the rise in the disability rolls in the Netherlands, see Aarts and de Jong 1992.)

Sweden has always had a far more generous disability system, but that country experienced a bout of rapid growth following the foreign exchange crisis and ensuing severe recession in 1990. By the mid-1990s, about 20 per cent of Sweden’s working-aged population was receiving some form of social benefit and about 8 per cent were on permanent disability benefits. As the economy improved in the late 1990s, growth in the rolls moderated but the level remained high. In the late 1990s, the Swedish Government reversed some previous reforms to the sickness absence benefit programme, essentially allowing sick and absent workers to collect 90 per cent of salary through the end of the first year of sickness absence and 80 per cent thereafter. This led to a rapid rise in sickness absence rates. The very generous sickness benefits that allowed workers to remain out of the labour force for long periods fuelled explosive growth in the permanent disability rolls that lasted from 2000 to 2005. The rolls have been declining since 2006, when the sickness programme was fundamentally reformed. (For a fuller discussion of programme growth in Sweden, see OECD 2009a.)

As discussed in the context of Figure 1, both the United States (the DI programme) and Australia had more modest programmes in the 1980s, with minimal programme growth until 1990. When we expand our focus and include SSI in the US ratio, we see that the launch of SSI in 1974 increased overall programme size by around 1 percentage point in that year, after which the overall ratio remained relatively constant until the 1990s. Comparing the DI/SSI line for the United States with Australia, both countries had very similar shares of their working-aged population in categorical disability programmes in 1982, with the United States slightly greater before 1996. Between 1996 and 2007, Australia had a greater share. The rapid rise in the US disability system since then has pushed its disability programme share well above that of Australia. In fact, as of 2011, the US share had nearly climbed to the level of the Netherlands.

Over the last decade, the four OECD countries shown in Figure 2 have posted markedly different trends in the share of their working-aged population receiving categorical disability cash transfers. The United States experienced continuous growth, especially after the Global Financial Crisis. In Australia, the ratio declined over the period before the Global Financial Crisis but increased modestly thereafter. After substantial increases in the early 2000s, Sweden’s ratio fell thereafter. In the Netherlands, this ratio fell over the entire period. We have argued that these differences are explained by country-related differences in disability policies rather than health. Below, we discuss some key lessons learned from policy reforms in the Netherlands and Sweden that
could benefit US and Australian policymakers. (We only focus on four OECD countries here. For a more detailed discussion of disability programmes, their growth and policy reforms across all OECD countries, see Bernd, Prinz and Queisser 2004 and OECD 2009b.)

4. Lessons from Reforms in the Netherlands and Sweden

The disability reforms undertaken in the Netherlands and Sweden were aimed at curbing unsustainable programme growth by changing the culture and social expectations for people with disabilities, better aligning the incentives embedded in programme design with these expectations and reducing the flow of new entrants into the system. From the US perspective, the reforms represent an important success and relevant starting point for discussions about building a sustainable system coming out of the Global Financial Crisis. For Australia, they may provide information on how to avoid disability benefit blowout in the future.

In 2002, the Netherlands initiated reforms to the national disability system that were designed to reduce the disability cash transfer rolls while maintaining a strong, albeit less generous, social minimum safety net for those who do not work. The 2002 reforms were based on the recognition that disability programme rules, the administration of those rules and the methods established to pay for disability programmes greatly influenced the behaviour of key actors—employees and employers—at the time that a worker experienced the onset of a disability. Recognising that the existing system did little to signal the true cost—to either workers or their employers—of moving into the long-term disability transfer rolls, Dutch policymakers restructured the programme so that both employers and employees more directly observed and bore the expense. The reforms also led to the development of a private sector market for DI, and with it, the greater management of newly impaired workers. This shift in incentives is responsible, in part, for the subsequent decline in inflow of new beneficiaries to the Dutch long-term DI programme. Importantly, the reduction in inflows owes to the fact that workers with disabilities are more regularly returning to work rather than simply moving onto other more general cash transfer programmes (see van Sonsbeek and Gradus 2011; de Jong 2012).

The acknowledgement that programme rules affect how people with disabilities react to, and fare after, the onset of a health-based impairment is a necessary step in building a sustainable Australian disability system. If individuals and employers are immune from the costs of providing long-term disability benefits, they do not have a direct financial incentive to accommodate and rehabilitate employees who could, with such support, continue to work. Waiting until individuals are already on the DSP before engaging the private sector to help them get off loses a valuable opportunity to intervene early and to potentially prevent individuals from moving onto benefits at all.

Although both the Netherlands and Sweden reformed their systems when it became clear that something needed to be done to control costs, a key lesson from their reforms is that preventing the problem is far easier than solving it once it occurs. This is because it is far easier to stem the flow of new beneficiaries into the programme than it is to return existing beneficiaries to work. This point is highlighted by disability reforms in Sweden. In 2008, the Swedish Government undertook a series of reforms to its sickness and long-term disability
programmes to curb growth in the rolls, reduce the number of workers leaving the labour force for permanent disability benefits and return existing beneficiaries to the labour market.

Reforms were aimed at strengthening the incentives for individuals with disabilities to work and improving their opportunities to do so. The principal reform was the establishment of a new timeline for the provision of rehabilitation services under the sickness absence programme, with checkpoints closely aligned with assessment of work capacity and a reduction of the cash value of sickness benefits for those who did not return to work. In addition to adding more checkpoints, the reforms also front-loaded the evaluations so that they were being done at 3-, 6- and 12-month increments. The earlier checkpoints provided rehabilitation, counselling and assessment much closer to the onset of a impairment, when return to work was more likely.

The reforms significantly increased the return to work of new sickness programme entrants and reduced their time on the programme. In contrast, few of those already on the sickness programme when these new reforms were initiated returned to work and when their sickness benefits ended, they simply moved into other social assistance programmes. These findings provide empirical evidence that early intervention matters. Waiting even 1 year following the onset of impairment significantly reduces the chance that rehabilitation will result in a return to work.

The Swedish experience also highlights the difficulties in reducing the stock of disabled beneficiaries. Even when strict time limits are put in place, movement off the disability system for longer duration beneficiaries is difficult and when it is done, most frequently it results in a shift to another public programme rather than into employment.

These policy lessons suggest that Australian policymakers should not conclude from the fact that most current DSP recipients do not work that they could not have worked if given alternative policy treatments (for example, timely accommodation and rehabilitation). Indeed, the marked difference in outcomes among Swedish citizens who were given early versus later employment-oriented services shows that, in a system oriented towards long-term cash benefits rather than work, many of those with residual work capacity will never return to work.

The Swedish findings also challenge the viability of ongoing attempts to limit growth in DSP rolls by investing in disability reviews or programmes designed to encourage individuals to return to work, such as temporary earnings allowances. While such programmes have some merits, the Swedish experience suggests that none of these ‘late-intervention’ programmes will succeed in bringing growth in the rolls down to sustainable levels. Finally, the Swedish experience shows the difficulties of focusing policy reforms on current beneficiaries. Specifically, it reveals that concentrating resources on workers with health-based work limitations who are trying to decide whether to stay on the job or apply for benefits is likely to be more successful at improving the economic integration of people with disabilities.

A final lesson learned from the Dutch and Swedish experiences is that disability programmes are a sub-set of more general employment and transfer programmes and reforms to any one programme within this set of programmes can affect the costs and case-loads of the others. This means that policy reforms cannot take place in partial equilibrium but must be made comprehensively as part of a package of programmes targeted at working-aged adults. Indeed, some of the pressure on disability programmes prompting their reforms stemmed from previous reforms to unemployment insurance and other social welfare programmes that made a movement into the disability programme more attractive.

Much of current Australian disability policy, including the new DisabilityCare Australia initiative that was first proposed by the Productivity Commission (2011), is based on the view that disability is an easily recognisable, objectively determinable and immutable condition rather than the product of complex interactions between health and the social, cultural, and economic environment. Ignoring the more modern view of disability can lead to gross underestimates of programme growth if incentives are not carefully considered. But if they are, the reverse is the case. The evidence from Europe suggests that carefully
considering incentives opens the way to more flexible policy designs that better promote the goals of both those with disabilities and the non-disabled taxpayers currently funding them.

5. Summary

It is possible to balance the competing goals of providing social insurance against adverse health shocks during working age and maximizing the work effort of all working-aged adults with and without disabilities. Past disability policies in both the United States and Europe have focused more on the former than the latter, resulting in rapid growth in disability transfer populations that outpaced growth in the economy. Efforts to shift to more pro-work policies over the last decade in Europe suggest that fundamental disability reforms, if done well, can lower projected long-term costs for taxpayers, make the job of disability administrators less difficult, and importantly, improve the short- and long-run opportunities of people with disabilities.

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Appendix 1: Data

Data Sources

- Data on the number of DI disabled worker caseloads and the number of workers who are covered by DI are from various years of the Social Security Administration’s Annual Statistical Supplement to the Social Security Bulletin. They are available at <http://www.ssa.gov/policy/docs/statcomps/supplement/>.


Disability Insurance Recipients Net of Pension Age Increase

We subtract all DI recipients over the age of 65 years from the total number of recipients to account for the gradual increase in the full retirement age from 65 to 66 years that occurred from 2003 to 2008.

Disability Insurance Recipients Net of Population Ageing

To calculate the amount of the increase in the recipiency rate from 1982 to year \( t \) due to population ageing, we create a counterfactual rate by fixing the number of DI caseloads per person within each age/gender group at their 1982 values and allow the recipiency rate to evolve only through changes in the share of the population in each age/gender group.\(^5\) The difference between the actual recipiency rate in year \( t \) and this counterfactual rate in year \( t \) is the amount of actual disability recipiency due to population ageing. We subtract this amount from the actual rate to net out the effect of population ageing.

Disability Insurance Recipients Net of Increased Coverage among Women

For this exercise, we construct a different counterfactual recipiency rate. First, we fix disability recipiency rates at their 1982 values for all of the male age groups. For the female age groups, we fix the number of DI caseloads per covered worker within each age group and the share of the total working-aged population within each age group at their 1982 values but allow the number of covered workers per person within each age group to change. Thus, the counterfactual recipiency rate evolves only through changes in the number of covered workers per person in each of the female age groups. Then, the difference between the actual recipiency rate in year \( t \) and the counterfactual rate in year \( t \) is subtracted from the actual rate to net out the effect of increased coverage among women.

Endnotes

1. There is not universal agreement on the most appropriate conceptualisation of disability, although the most widely used is the World Health Organization’s (2001) International Classification of Disability, Health and Functioning.
2. In the United States, recessions are formally dated by the National Bureau of Economic Research. The methods it uses are documented at <http://www.nber.org/cycles/recessions.html>. 

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3. There is no tier two unemployment insurance benefit programme in Australia. Rather, unemployed workers are covered by a tier one universal minimum benefit, now called the Newstart Allowance. Benefit levels, like in SSI, are needs based and do not require past work experience. However, recipients are expected to return to work.

4. This exaggerates the actual growth since most of these needs-based SSI beneficiaries were transferring from previous state-based programmes that the federal government took responsibility for funding in 1974.

5. We use the following age groups for men and women (14 total demographic groups): 16–29, 30–39, 40–44, 45–49, 50–54, 55–59 and 60–64 years.

References


