



Ideas Changing the World

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Welfare Issues

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Disability Insurance Must Be Restructured to Protect Vulnerable, Incentivize the Fit

The current applications surge for Social Security Disability Insurance (SSDI) -- more than 6 million in both 2009 and 2010 -- will accelerate the exhaustion of the program's trust fund and force Congress to choose between two unpalatable options: increase SSDI payroll taxes or reduce benefit allowance rates, says Jagadeesh Gokhale, senior fellow at the Cato Institute.

If the particularly vulnerable population the SSDI is designed to serve is to be protected, while preserving incentives to work, the program has to be radically restructured. Professors David Autor of the Massachusetts Institute of Technology and Mark Duggan of the University of Maryland recently proposed a way of reforming SSDI.

- They propose a new "front-end" universal program of private disability insurance (PDI) paid for out of a new payroll tax to be shared by employers and employees.
- Applications to SSDI by those with disabilities, but who could continue working with assistive technologies, would be statutorily delayed by 22 months, during which time they would continue to receive PDI's employment supports.
- Applications for SSDI benefits by workers with serious disabilities -- who cannot continue to work -- would be permitted as before.

Autor and Duggan suggest that a substantial amount of the cost of implementing PDI would be recovered through SSDI cost savings. However, if the cost savings never materialize, PDI would just become another new pay-go financed entitlement program of employment supports without any commensurate gains in employment or productivity.

Introducing a mandatory application delay with employment supports where appropriate within SSDI would avoid many of the Autor-Duggan proposal's shortcomings and help to increase independence and self-sufficiency among many of tomorrow's persons with disabilities, says Gokhale.

Source: Jagadeesh Gokhale, "Disability Insurance Must Be Restructured to Protect

Vulnerable, Incentivize the Fit," Investor's Business Daily, December 17, 2010.

For text:

<http://www.investors.com/NewsAndAnalysis/Article/557196/201012171838/Disability-Insurance-Must-Be-Restructured-To-Protect-Vulnerable-Incentivize-The-Fit.aspx>

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